FINANCIAL TIMES



Ferdinand Piëch VW's catalyst

for change

Welfare index Of happiness

Samuel Brittan, Page 8

and GDP



Ageing genes In search of

eternal youth Technology, Page 15



Modern misery The history of opium

Sweden

'may not

join Emu

at outset

Sweden may not be among the

founding members of Euro-

pean monetary union at its planned start in 1999, it

emerged yesterday. Mr Eric Asbrink, the finance

minister, said that joining kmn carried disadvantages as well as advantages, and that Sweden could delay a decision on membership.

His stance, outlined in a

newspaper article, was sup-

ported by Mr Göran Persson.

the prime minister. Financial markets reacted

lmmediately, ecalng Mr

Ashrink's comments as a

retreat in the face of strong

in 1999'

By Hugh Carnegy in

Book Review, Page 8

World Business Newspaper http://www.FT.com

THURSDAY AUGUST 29 1996

promote sale of demerged stock

Hanson is to set up low-cost dealing facilities for small investors who want to sell their stakes in Millennium Chemicals or Imperial Tobacco Group after the demerger in October. The arrangements are designed to facilitate a wide-ranging reshuffle of share ownership that is expected to ensue from the four-way demerger of what was once Britain's most acquisitive congiomerate. Page 11; Lex. Page 10

Declaration due on Lloyd's offer: The Lloyd's of London ruling council is expected to declare unconditional the insurance market's £3.2bn (\$4.9bn) settlement offer to its Names after acceptances exceeded 90 per cent. Lawyers for the US Names, whose court action had thrown the recovery plan into doubt in the past week, vowed to continue their fight. Page 6

Savings 'higher' from BP-Mobil merger: Cost savings from the proposed \$50n merger of the European downstream assets of British Petroleum and Mohil of the US could be substantially higher than the pre-tax \$400-\$500m originally envisaged. Page 12

Kohl urges end to Chechnya suffering



Helmut Kohl (left), German chancellor, has urged Boris Yeltsin to and the "terrible suffering" in Chechnya in a telephone conversation with the secluded Russian leader, Mr Kohl is to visit Russia next week. The nudge from Russia'e best friend and most generous bankroller in the west failed

to secure an unambiguous presidential endorse-ment of the peacemaking efforts of Alexander Lebed, head of Russia's security council.

Chirac attempts to lift French mood: The French political year got off to an eventful start with trade union leaders stepping up their attacks on the government and President Jac-ques Chirac urging ministers to "pull yourselves

Channel price war depresses Stens: A price war in the English Channel and ship capacity problems led to deepened first-half iosses at Stena Line, the world's largest ferry operator. The Swedish group sold its pre-tax def-icit rose from SKr350m (\$54m) to SKr560m and forecast a full-year loss of about SKr450co.

Nordic power restructure: A rapid round of restructuring in the Nordic power generation industry continued when Electricité de France, the French state utility, sold its 10 per cent stake in Sweden's Sydkraft to Statkraft, the Nor-

Sandoz and Ciba, two Swiss pharmaceutical companies, announced interim results and put up for sale part of their US crop protection and animal bealth businesses in a bld to win the agreement of the US Federal Trade Commission to their planned merger into Novartis. Page 11; Lex. Page 10; Results, Page 12

Row reignites over British beef exports: UK prime minister John Major faced the pros-pect of renewed civil war inside his Conservative party over Europe after European Union officials warned of inevitable delays in the lifting of the ban on British beef exports. Page 10

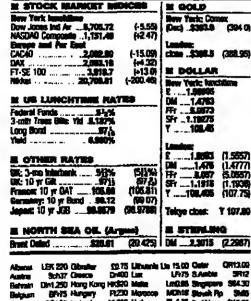
italy delays reform of TV regulation: italy's government put off until next January a decision on how to reform the rules governing television broadcasting. Page 2

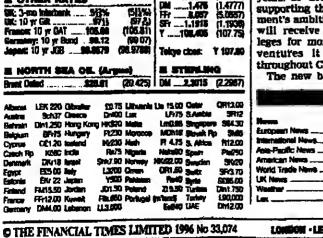
Sale of Austrian retailer cleared: The European Commission gave the go-shead for Rewe, the large Germany food retailer, to buy Austria's biggest retailer, Billa. Page 2

Top Hungary hotel bought by Japane intercontinental, the Japanese-owned hotel group, won its year-long battle to buy the Forum, one of the last top-class hotels in Hungary to be privatised. Page 13

British Royal marriage officially ended: The 15-year marriage of Britain's Prince Charles, the beir to the throne, and Princess Diana has officially ended after divorce procedures were finalised by a court in London.

FT.come the FT web site provides online news. comment and analysis at http://www.FT.com





Hanson moves to | Early rate rise unlikely ■ Report shows fall in business an infidence

Doubt cast on Japan recovery

By Gerard Baker in Tokyo

The prospect of an early rise in Japanese interest rates was effectively killed off and fresh doubt cast on the strength of the country's economic recovery with the publication yesterday of a key Bank of Japan report showing a fall in the principal barometer of bush-

The bank's quarterly survey of short-term economic pros-pects or *tankan*, showed the first decline in confidence for a year among the country'e large manufacturing compa-nies. The tankan is considered hy the bank to be among the most reliable indicators of immediate economic prospects and is one of the main influences on monetary policy decision-making.

The surprise fall led to a sharp rise in bond prices and a

and agencies

Yassir Arafat, the

Palestinian leader, yesterday

said Israel's policies amounted

to "a declaration of war" on

the Palestinian people and

called the first general strike in the West Bank and Gaza in

Israel'a prime minister, threat-ened to respond to the half-day

strike, to be held today, "with

severity". Mr Arafat'a attack follows a

three-month-old right-wing

government which, he claims,

have brought the Middle East peace process to the verge of collapse. Israel this week

unveiled plans to hulld 900

new apartments in the Jewish

settlement of Kiryat Sefer and

on Wednesday It demolished a

youth centre in disputed east

In a further indication of ris-

ing Palestinian frustration, the

popularly elected Palestinian

Legislative Council called for a

halt to contacts with Israel

and the Arab League in Cairo appealed to the US, Russia and

the European Union to belp

save the peace process.

Mr Arafat, president of the

Palestinian Authority, asked

Mr Benjamin Netanyahu,

Arafat's strike

threat by Israel

call prompts

drop in the value of the yen as Japan dealers marked down the prospect of an early increase in short-term interest rates. But equity pricea also fell reflecting renewed uncertainty about the economy'a overall

The report revealed that the main diffusion index for business confidence among large manufacturers - the difference between companies saying their husiness climate was improving against those saying it was deteriorating dropped from minus 3 in May to minus 7 this month. In May, companies had forecast a gap of zero in August, anticipating rising demand. This has clearly failed to materialise. Most other indicators in the report suggested the economy was continuing to improve,

albeit at a very sluggish pace.

Noo-manufacturera reported

content with Mr Netanyahu'e

policies on settlements and

Jerusalem hy bolding a gen-

eral strike throughout the

West Bank and Gaza. The strike is a symbolic

political protest since most of the area is no longer under israeli rule. Such standstills were commonplace during the

Intifada, or the uprising

against Israeli occupation.

Mr Arafat also called for all

Moslems throughout Israel and

the Palestinian territories to

Mosque in Jerusalem's

go to Friday prayers at the al-

Old City, Islam's holiest site,

regardless of whether they

hold permits to eoter Jerusa-

lem. Israeli travel restrictions

prevent most Palestinians in

the West Bank and Gaza from

Mr Netanyahu condemned

Mr Arafat's remarks as provo-

catlon. "The Israeli government will react with severity

to any attempt to bring about

an escalation of violence that

could harm the peace process."

The rise in tension follows

the effective stalling of the

Israell-Palestinian peace

no further progress on peace-making could take place until

Israel has maintained that

entering Jerusalem

his office said.

But the downturn in the omy in the next month or most keenly watched indicator The finance ministry has been suggests that a tightening of monetary policy is unlikely without more concrete evidence of a strong and sustained recovery. For several months bond markets have been anticipating an increase in Japan's record low official discount rate of 0.5 per cent. But the official response to the survey yesterday suggested

that was unlikely. "Under current circum-stances the BoJ has no totention of changing its economic assessment," said Mr Masavuki Natsushima, director of the bank's research and statistics department. Judging from the overall data of the survey the economy remains on a mild recovery track." The report will give further

impetus to calls for another fiscal stimulus for the econ-

opposing another package of extra spending measures for fear of exacerbating the country's fiscal condition. Yesterday Mr Wataru Knbo

the finance minister, said it was still too aarly to tell whether an additional budget would be necessary. But the continuing weakness of crucial sectors suggests another injec-tion of demand is likely. The growing probability of a general election within the next six months will do nothing to ease the pressure on the minis-

try to make it substantial. The survey was conducted at the end of July and the beginning of August, when specula-tion of a rise in interest rates was at its height.

Lex, Page 10; Currencies, Page 17; World stocks, Page 28

opposition to Emu among the ruling Social Democrats and the public. Long-term bond yields rose

by 100 basis points to 8.135 per cent and the krona weak-ened against the German "There will be opportunities for those countries that can-not or do not want to partici-

the start to join later," Mr Asbrink said. "It is not a question of Yes or No to monetary union. It is more a question of Yes now,

or No now." Mr Asbrink also indicated there would be no early move by Sweden to fix the krone in the European exchange rate mechanism, as some had expected before the year end-Joining the ERM had "no great significance," he said, as the system was "no longer a good indicator of exchange rate stability".

Mr Klas Eklund, chief economist at Skandinaviaka Enskilda Banken and formerly an influential figure in SDP governments, eald Mr Ashrink's comments were confirmation that the govern ment has adopted a wait-andsee attitude on Emu.

"There is strong popular sentiment against it and the government believes it can't fford the fight."

Mr Asbrink and Mr Pers Continued on Page 10

10-year bond yield (%)

an improvement in confidence. though it was less pronounced than had been forecast at the time of the last survey. There were also indications of small improvements throughout the economy in labour market con-ditions, in capital investment plans and in liquidity, with little evidence of any resurgence

Palestinian leader says Netanyahu's policies amount to 'declaration of war'

President Yassir Arafat attends a meeting of the Palestinian Legisaltive Council yesterday

PLO-affilisted offices are closed in east Jerusalem, which the Palestinians hope to have as their capital. Israel views the city as its united. indivisible capital, and Mr Netanyahu has Insisted on keeping his campaign piedge to halt Palestinian inroads into

World stocks, Page 28

Boost for Shanghai as Thai group plans new bank HO

By Ted Bardacks in Shanghal

CP Group, Thailand's largest industrial conglomerate and the single largest foreign investor in China, has given Shanghai'a Pudong area a major boost by establishing the headquarters of a new bank, inaugurating a motorcycle factory capable of producing 400,000 units annually, and announcing plans for at least \$300m in new commercial

real estate development.
Pudong, or East Shanghai, is
a 500 sq km area that, despite a glut of real estate, is due to receiva \$36bn in government investment over the next five years. CP Group hopes that by supporting the central government's ambitions in Pudong, it will receive increased privileges for more than 100 joint ventures it is involved to throughout China.

The new bank, TM Interna-

tional, has no offices in Thai-land and is thus the first foreign-owned bank to set up its headquarters in China, as well as the second foreign bank -Fuji Bank was the first - to establish its main branch in Pudong. By doing so, TM expects to be among the first foreign banks granted permission to lend and take deposits in local currency, according to TM's president Mr Virachai Mr Yin Jie Yuan, vice-gover-

nor of China's central bank, told Thailand's Crown Princess Maha Chakri Sirindhorn, in Shanghai to preside over the bank's opening, that Chinese officials were seriously considering giving such peral'a banking ilcence aiready gives it the right to undertake local currency transactions as soon as those transactions become legal.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKBOLM · MADRID · NEW YORK · LDS AMEELES · TOKYO · HONE KORE

tered capital of \$100m, is a joint venture between three prominent Sino-Thai families: Ming-That Group of the Virameteckul family. CP and Chia Tal groups of the Chearavanont family; and Thai Farmers Bank of the Lamsam family. They hold hold 60, 30 and 10 per cent stakes respectively All three families are inter-releted hy marriage via their Thal-born offspring. The bank's main customers are CP Group's Chicese busicess interests, estimated to be worth at least \$2.5bn.

The \$70m motorcycle fac-tory, a 50-50 joint venture of Shanghal Automotive Industry and CP Group's New Yorklisted Ek Chor Industry subsidlary, is the group's third in Shanghai, where it employs around 30,000. Despite falling

Foreign Exchanges ____17

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Continued on Page 10

"I've had to fly, sit in taxis, attend

meetings and live on snacks for 24 hours straight. Now what?"

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Faur Seasons - Regard. Defining the art of service at 40 hatels in 19 countries

By Caroline Southey in Brussets

The European Commission yesterday gave the go-ahead for Rewe, the large Germany food retailer, to buy Austria's biggest retailer. Billa.

It said it had no "serious concerns" about the impact of the deal on competition since the acquisition would not lead to any additions in market shares.

Billa does not operate in Germany and Rewe has not previously been active in Austria.

The deal would also not lead to a dominant position by Billa in Austria, tha Commission said, since the group faced strong competition from the Spar group, the country's second largest

Brussels admitted that the takeover would improve Billa's competitive position by opening the way for joint purchasing with Rewe. But there were limits to Billa's ability to exploit better purchasing conditions, it said. aince the group had to accommodate local consumer habits and preferences for brands in the Aus-

trian market. The Commission con-cluded that the deal would not lead to "serious competition problems from the point of view of an increase in buying power" although it planned to watch further sector, particularly where these led to increases in buying power.

Rewe, which last year posted sales of DM48bn (\$32.2bn), is estimated to have paid more than DM1bn for Billa, which had sales of DM7bn last year and has a network of 1,600 branches.

The takeover reflects Rewe's need to look for markets outside Germany, where the retailing market particularly in the food sector, is saturated. Austria has been a prime target for German retailers, such as DIY groups Horbach and Asko, in recent months.

Billa is Austria's biggest retailer, with 28 per cent of the market. The group also has branches in Hungary, Poland and the Czech Repub-

Pão de Açucar of Portugal was also cleared, AFX reports. The Commission noted that both had a significant Spanish presence but said the operation would have a significant impact only around Madrid and Burgos. The combined market share was oot large anywhere and there were

numerous competitors. The Commission said the acquisition of Compagnie d'Assurances Maritimes. Aériennes et Terrestres by a subsidiary of Assurances Générales de France did not fall within the scope of European Union merger regula-

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'Pull yourselves together,' president tells his ministers as France returns from holiday



Begone dull care. President Jacques Chirac wants fewer frowns and more smiles. He had to admit yesterday, however, that the country's social and economic situation remained "difficult" hirac attempts to lift the national mood

By David Owen in Paris

The French political year got off to an eventful start vesterday, with trade union leaders stepping up their attacks on the government and President Jacques Chirac urging ministers to "pull yourselves together".

As the country streamed back to work after the August bolidays, Mr Chirac himself back from the Riviera – encouraged his ministers not to contribute

He acknowledged, bowever, that the country's social and economic situation remained "difficult" in splte of the administration's best efforts. The government's return to work had been marked by gloom, he said. "And this is true - how could it be otherwise?"

His forthright tone was echoed by Mr Alain Juppe, the prime minister, who called on ministere to "change into top gear" on

admitting that the situation would "no doubt remain difficult in coming months". Mr Juppé said: "We are at work in an attacking spirit." He confirmed that the gov-

plans to cut taxes "on or around" September 10. But as the French cabinet met for the first time since one-track thinking which the summer break, Mr Louis continues unrelentingly to Viannet, secretary-general of the Communist-linked Confédération Générale du Tra-

ernmant would unveil its

attack on government aus-terity measures. He blamed them for low growth and high unemployment

Mr Viannet criticised the "forced march to [European] monetary union" at the expense of the workers. France is literally suffocating under the dogmas of denounce the cost of labour as responsible for unemployment and to look for solu-

to "the general gloom". the issue of jobs, while vail, launched a scathing tions which put pressure on workers, pensioners and the unemployed," he said.

His comments came as Ms Nicole Notat, eecretary. general of the Confederation Française Démocratique du Travail, warned in an interview in Le Monde newspaper that a sense of "disenchant-ment" had taken hold in the country and that "the feeling of powerlessness or anger is gaining ground".

Evidence of this disen-

in another newspaper, La Tribune Desfossés, which euggested that the French fear a repeat this year of the wave of public-sector strikes that engulfed the country last November and Decem-

More than three-quarters of those questioned for the poll thought it probable that the country would be hit by a aimilar series of strikes this year. About the same proportion were pessimistic about prospects for the

be locally produced.

exchange operations.

EUROPEAN NEWS DIGEST

Belarus edict

President Alexander Lukashenko yesterday decreed that

75 per cent of the goods on sale in all Belarus stores must

It was the latest in a spate of Soviet-style economic

decisions which observers fear are pushing the country

banks and imposed stringent controls on foreign

from 10 per cent to 150 per cent. Locally produced

who enjoys a close relationship with the Russian

back towards a centrally-planned economy. The Belarusan strongman has nationalised many commercial

The government news agency said Mr Lukashenko also

planned to increase the tax on sales of imported goods

consumer goods have been pushed out of the market hy cheaper and better produced imports.

The reactionary economic policies of Mr Lukashenko,

government, have gone hand in hand with a reversion to

the anthoritarian political practices of the USSR, Earlier

this week, two leading opposition politicians were granted

political asylum by the US. Chrystia Freeland, Moscow

hits imports

French econumy over the next six months.

The government can ill afford a repeat of last year's crisis if it is to stand any chance of success in its attempts to cut its general financial deficit to 3 per cent of gross domestic product in 1997 in line with the Manstricht convergence criteria for European monetary

union. There is already growing pessimism about its ability to hit this target.

Refugee vote opens Bosnia poll

By Laura Silber in Belgrad

The election process yesterday swung into gear in Bosnia as refugees began voting and tens of thousands of ballot boxes, pencils and voting screens were loaded concentrations in the retail on to Greek army trucks in Sarajevo to be taken to regional centres in prepara-tion for the poll on Septem-

But by mid-afternoon, the poll received its first blow when Bosnia's governing party, the Moslem nationalist Party of Democratic Action (SDA), urged refugees not to vote until a dispute over voter registration irregularities was resolved.

The Dayton agreement allows refugees to vote where they intend to live and this was used by Serb authorities to cement their

Tens of thousands of Serb refugees bave been pressed to register in areas where Moslems once comprised a majority but which are now held by Serbs. This prompted the Organisation • The acquisition by the for Security and Co-operations, which will be overseen in their pre-war residence the Bosnian Serb entity, and decide whet French retailer Auchan of tion in Europe, which is by 1,300 OSCE supervisors will look for their names on the Moslem-Croat Federative and fair. overseeing the Bosnian elect and some 900 international tions, to postpone the munic-

President lon Iliescu, who has led Romania since the over-

throw of the Ceausescu regime

in 1989, yesterday launched his cam-

paign for a third term, vowing to

stamp out corruption and lead the

integration.

country's drive for Euro-Atlantic

can and must be stopped," the 66-

vear-old former senior Communist

told government officials, prominent

other invited guests at Bucharest's

The president, a former youth

minister who is running on the

ticket of the governing Party of

Social Democracy (PDSR), said that

Romania had to modernise to

achieve Euro-Atlantic integration,

Its main strategic goal, and that the public sector would have to adapt to

"Efficiency is the keyword for the

whole of Romanian society," he told

cheering members of the party,

which opinion polle suggest may face its first defeat in parliamentary

elections on November 3 - the same

day as the presidential contest.

Romania, which endured a highly

represeive regime under dictator

Nicolae Ceausescu, is almost alone

in the former eastern bloc in not

baving bad a centre-right govern-

Palace of the Children.

"Corruption is a scourge which

ssmen, factory managers and



Refugee voting gets off to a slow start in a Belgrade polling station yesterday

the municipal polls, hut a local official said yesterday they were unlikely to be held on the same day as the national elections, as originally planned. The OSCE has made clear it will not recognise its results.

The mechanics of the elecobservers, are daunting. An say they will go ahead with refugees or internally dis- conflict when voters tire of bly, while federation voters certify these elections."

greatest asset.

sonal financial gain.

tator in the 1970s, is the PDSR's

A master of the grass-roots cam-

paign, he has cultivated an image as

a moderate, avuncular leader and, in

a country of rampant corruption, is

one of the few senior officials not

accused of using his position for per-

ordinary Romanians, especially con-

servative rural dwellers who make

up nearly half the country's 28m

his and the party's support.

Opinion polls suggest Mr Iliescu
will heat Mr Emil Constantinescu.

the candidate of the centre-right

Democratic Convention (CDR), Romania's main opposition group,

whom he defeated four years ago.

But they show the CDR ahead in the

parliamentary race, with the centrist

Social Democratic Union (USD)

third, well ahead of the small, hard-

line nationalist and neo-Communist parties which have kept the PDSR'a

minority government in power since 1992 but have tarnished the coun-

Mr Iliescu built the PDSR from the

conservative wing of the National

Salvation Front, the group that took

This has won him the respect of

placed, will be eligible. At 4,400 polling stations, voters will have their hands stamped and examined under ultraviolet light to see if they have already voted. Those wanting to vote in another municipality will present Form 2, those voting

the electoral lists. estimated 2.9m Bosnians, that this will cause long will elect a republic presi-Bosnian Serb authorities more than half of whom are queues - and may lead to dent and a national assem-

Iliescu aims to make it three in a row

Romania's leader may be re-elected but his party may not, says Virginia Marsh

Voters all over Bosnia will vote for the three-member rotating presidency of Bosnia Hercegovina and the par-liament of Bosnia and Hercegovina - both simed at unifying the country's two halves: Republika Srpska,

tion. OSCE officials are worried Republika Srpska voters

Mr lliescu, a one-time close aide of Ceauşescu who fell out with the dictator in the 1970s, is the PDSR's munist elections in May 1990. the year, taken emergency measures to secure energy supplies for winter, and ordered a 10 per cent increase in

few months after miner-led riots,

which many believe were orchestrated by Mr Hiescu and his support-ers, toppled the government of Mr

Petre Roman, the president's erst-

while ally, whom he accused of pur-suing reform at a socially unaccept-

The charismatic Mr Roman, who

recently turned 50, is now running against Mr Illescu for the presidency

many of the technocrats who spear-

headed reform from within the Front

party, has been trying desperately to boost its standing since performing poorly in June's local elections, the

first nationwide polls for four years.

against corruption, making a few

highly publicised arrests. It is also

pushing through the final stages of a

mass privatisation programme which hands out free shares to all

It has also this month frozen the

power in unclear circumstances in price of energy, bread and some ering around the 3 per cent thresh-

n Mr Illescu's instructions

the government has, belat-edly, launched a campaign

The PDSR, a populist, left-of-centre

and heads the USD, which include

before the split.

Romanians.

The Front split in March 1992 a

will choose a parliament and members of 10 cantonal assemblies. The six elections involve 27 parties, two coali-tions and three independent candidates.

After the polls close at 7 o'clock the ballots will be sorted and then counted in 130 municipal centres. The OSCE estimates that a counting team of three people can count 950 ballots per

Up to half a million refugee ballots will begin arriving on September 3 in Sarajevo to be mingled with the other ballots before counting begins, so no-one can assess how the absentees voted.

Election results will come out over the course of a week, being available first for the Bosnia-Hercegovina offices so that the process of building joint governing institutions can get under

The Provisional Election Commission will then certify the accuracy of results - and finally Mr Flavio Cotti, the Swiss foreign minister who holds the OSCE chair, will decide whether they were

In the words of one west-"There is no way, after all this, that the OSCE won't

and ordered a 10 per cent increase in

But opposition parties are not find-

ing it difficult to attack the govern-

ment's record, especially on the economy. Despite recent increases in

wages, especially in the state sector.

atatistics published yesterday showed that the average monthly

take-home pay in July was less than

three-quarters in real terms of

take-home pay at the start of mar-

Inflation, which last year fell

below 30 per cent for the first time in

six years, has rocketed thie year.

partly because of huge agricultural

subsidies and a decision to prop up

two banks embroiled in corruption

scandals. Economists say it may

reach 40-50 per cent by the end of the

Opposition parties, whose internal

squabbles have kept them from

power in the past, say they will

speed reform and give full rein to private initiative and foreign invest-

ment, which, at less than \$2bn since

1990, is well below levels elsewhere

On election day, much will depend

on the performance of the many

small parties which polls show hov-

in the region.

pensions from October 1.

ket led reforms in 1990.

Unions want money back

Turkey's trade unions yesterday called on the government to repay all the money collected from them and employers in a compulsory savings scheme abolished by parliament early yesterday. The scheme, intended to boost investment, was instituted in 1988 in workplaces with at least 10 employees. Workers pay 2 per cent of their salaries and employers a further 3 per cent.

Union leaders and other critics say the scheme has been widely abused and has offered little in the way of returns. Analysts say the abolition will not be of any positive benefit to the economy as the government will have to repay workers and find alternative savings measures.

However, a government official said that ending the employers' contribution made by state economic enterprises would mean savings for the government. which has announced a series of measures to finance

The government has not provided figures on the size of the fund, but analysts say about TL430,000bn (\$5bn) have been collected in principal and interest. Reuser, Ankara

German chemicals look up

German chemical companies are confident about prospects for the second half of the year, despite falling sales and weak domestic demand in the first six months, the industry association sald yesterday. Mr Jürgen Strube, its chairman, attributed the optimism to expectations for continued growth in foreign revenue and an upturn in domestic demand

Mr Strube, who is chairman of the German chemicals group BASF, said estimates from the association's 1,700 member companies showed that a "strong international orientation had proved the right course in the first half. Total chemical sales fell about 5.5 per cent to around DM89bn (\$60bn).

Exports rose 1 per cent to DM52bn, while imports dropped 2 per cent to about DM31bn. Domestic demand was well below the strong levels of a year earlier. prompting sharp falls in production of inorganic basic chemicals and plastics. Mr Strube said the industry employed 521,000 in the

first half, about 3 per cent down on a year ago. Employee numbers were expected to remain virtually unchanged in the next six months. Sarah Althaus, Frankfurt German machinery and plant orders rose a price-adjusted 9 per cent in July from the same month last year, the industry association reported. Domestic orders climbed 5 per cent and foreign orders 13 per cent.

Leading members of the opposition Social Democratic party yesterday called for an end to military service in

Germany, increasing the pressure for Europe's largest armed forces to follow other European armies, notably the French, which have decided to become professional.

Estonia set to try again

Estonia will hold the next round of an inconclusive state presidential election on September 20, parliamentary officers decided yesterday after three votes in parliament this week failed to give either the incumbent, Mr Lennert Meri, or his rival, Mr Arnold Ruutel, the necessary two-thirds majority.

An electoral college of all 101 MPs and and 273 local government representatives will be convened in an . attempt to choose a president. Both Mr Meri and Mr Ruutel will automatically be listed as candidates but the election will also be open to new contestants backed by any 21 members of the college. The winner has to secure a majority within two rounds of voting otherwise the election returns to parliament. Reuter, Talling

■ Italy recorded a trade surplus of L4,333bn (\$2.8bn) in June against L1,730bn a year earlier. Exports fell 3.6 per cent to L27,698bn and imports declined 13.5 per cent to : 123,365bn. Large industry employment (covering companies with more than 500 workers) was unchanged. in May from April but was down 1.5 per cent year-on-year-France's industrial production, excluding food and energy, rose a seasonally adjusted 0.5 per cent in June, Overall industrial production fell 0.2 per cent after a revised rise of 0.8 per cent in May.

December 1989 and won a landslide other basic goods until the end of old needed to get into parliament. Prodi delays reform of TV regulation

By David Lane in Rome

government January a decision on how right. to reform the rules governing television broadcasting. it has frozen the current rules which allow Mediaset, the recently-floated television company controlled by former prime minister Silvio Berinsconi, to own three of the 12 national television

In December 1994, the conetitutional court 20. This would require Medideclared some aspects of aset to dispose of a channel broadcasting legislation unless more were created.

stitutional and gave parlia- erament of Mr Berlusconi. ment until Tresday of this yesterday put nff until next week to put the matter

try'a image abroad.

this deadline, and yesterday Mr Romano Prodi's centre- solution. left government issued a breathing space.

The court had recomnational channels for any

one company be lowered to

who now leads the opposition in parliament, and Mr Lamberto Dini's techno-Parliament failed to meet cratic administration which succeeded it, failed to find a

Following yesterday's cabdecree providing further inct meeting, Mr Antonio breathing space.

Maccanico, the broadcasting minister, said the unanimended that the current mous cabinet decision was ceiling of 25 per cent of not the result of an agreement with the opposition. Nevertheless, the decree is seen as a compromise aimed at easing the way for its par-

The then rightwing gov- antumn, particularly the claiming yesterday that the arnment of Mr Berlusconi, 1997 budget and telecommune new deadline was too close, nications privatisation. Mr Roberto Maroni, a

Northern League politician minister, described the tract in which the opposttion had sold its parliamentary role to protect Mr Berlusconi's business.

Mr Prodi said continuing statement saying the govthe existing television licensing regime would allow time to enact reform in accordance with the court's L7,005 on 20 August, rose to decisions. But some opposi- L7.110 by the end of trading hamentary husiness in the tion deputies were already yesterday.

given parliament's busy autum programme.

Until the cabinet decree and former home affairs yesterday, Mediaset risked action by magistrates to decree as a shameful con- enforce the constitutional court's ruling by blacking ont one of the company's

Mediaset issued a brief ernment had acted correctly. The company's shares, whose official price was

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NEWS: ASIA-PACIFIC

Chairman Jiang puts together a new leadership

hairman Jiang Zemin may not have the same ring to it as Chairman Mao, but Chinese may soon have to get used to the idea of referring to their leader by a title which bad seemed destined for the "dustbin of history", to use one of the late chairman's favourite phrases

Indications that China may be moving closer to a new leadership structure with Mr Jiang, 70, assuming the role of chairman of the ruling Communist party are part and parcel of continuing efforts to put in place a collectiva to guide the country into the next millennium after the demise of Deng Xiaoping, China's supreme

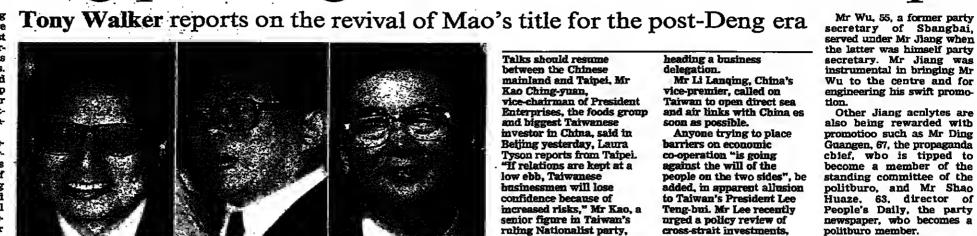
China's rulers, at their annual conclave held at the Beidaihe beach resort east of Beijing in the hot months of July and August, dwelt at length on personnel issues in their efforts to solidify the leadership for the challenges

Mr Deng, who turned 92 the Chinese Communist

this month, is in failing health and his departure from the scene would almost certainly unleash cross-currents as various factions sought to assert themselves Powar struggles would expose signs of leadership brittleness. It is oot clear how effectively the post-Deng collective would withstand internal pressures.

The revival of tha somewhat tattered title of "chairman" (Mao himself was responsible for a atring of policy disasters including the Great Leap Forward and the madness of the Cultural Revolution) smacks not necessarily of self confidence or of a forward-looking leadership. Rather it suggests an attempt to harness a brandname from the past to serve the present and future.

Even Mao himself did not hold simultaneously tha highest offices of state, party and military. Mr Jiang is president of the republic, general secretary, or leader, of the Central Committee of



Practical issues also

played a part in the decision

to revive the party chair-

manship, and two vice chair-

man positions. Appointment

to a vice-chairmanship repre-

sents a "face-saving" for-

Jiang (centre) has accommodated both hardline Li (right) and reform-minded Qiao (left) Central Military Commis-

mula for the hardline Mr Li Peng, the premier, who is due to retire in early 1988. The party is, in effect, helping to find the 67-year-old Mr Li a job by setting up a new structure. The other vice chairman under the prosed new structure would be Mr Qiao Shi, 72, who is

Savings as a % of GDP, 1995

associated with the party's liberal wing.
Mr Qiao's continuing senior role is e sign the somewhat conservative Mr Jiang did not have things all his own away in Beidaihe. Mr Qiao, a former security

chief, is generally regarded

as part of the "loyal opposi-

tion". While Mr Jiang advocates a relatively slow "step-

Beijing yesterday, Laura Tyson reports from Taipei. "If relations are kept at a low ebb, Taiwane businessmen will lose confidence because of increased risks," Mr Kao, a senior figure in Taiwan's ruling Nationalist party, told a seminar in the Chinese capital, where he is

Talks should resume between the Chinese

mainland and Taipei, Mr

Kao Ching-yuan, vice-chairman of President

Enterprises, the foods group and biggest Taiwanese

investor in China, said in

by-step" approach to reform, Mr Qiao has made no secret of his concern that the pace of change ought not to slacken too much. But by and large the per-

sonnel changes to be endorsed by the 15th Con-

the latter was himself party heading a business delegation. secretary. Mr Jiang was instrumental in bringing Mr Mr Li Lanqing, China's Wu to the centre and for vice-premier, called on engineering his swift promo-Taiwan to open direct sea and air links with China es Other Jiang aculytes are also being rewarded with promotioo such as Mr Ding Guangen, 67, the propaganda

soon as possible. Anyone trying to place barriers on economic co-operation "is going against the will of the people on the two sides", be added, in apparent allusion to Taiwan's President Lee Teng-bui. Mr Lee recently urged a policy review of cross-strait investments. warning of economic

gress of the Chinese Communist party to be held late next year seem favourable to Mr Jlang, whose so-called "Shanghai faction" eppears poised to receive a further boost with the proposed appointment of Mr Wu Bangguo as premier to succeed Mr Li Peng.

chief, who is tipped to become a member of the standing committee of the politburo, and Mr Shao Huaze, 63, director of People's Daily, the party newspaper, who becomes a polithuro member. Both have ensured that Mr Jiang receives the sort of

blanket media coverage which would reinforce among the public an impression that China's leader is omnipresect, However, their decision to dust off the Mr Jiang's credibility may not prova to be their most sophisticated man-

Final block on continued US troop presence is removed

Court orders leases renewed in Okinawa

By Emiko Terazono in Tokyo

Japan's Snpreme Court yesterday ordered the governor of Okinawa to renew leases on land occupied by US troops, removing a final obstacle for the continued presence of American soldiers on the island.

The court turned down an appeal by Mr Masahide Ota, the Okinawa governor, against a lower court ruling earlier this year instructing him to renew the leases on behalf of Okinawan land-

uisory expropria tion of land was unconstitutional. "I am dismayed the court did not hear any of our serious appeals," Mr Ota said after the ruling.

The government, eager to maintain the US-Japanese security ties as insurance against instability in a historically volatile region, had rejected the right of provincial authorities to block the

Yesterday it welcomed the judgment. Mr Seiroku Kajiyama, chief cabinet secretary, said: "I hope Okinawa will take today's court decision into consideration and co-operate with the govern-

military facilities were concentrated in Okinawa, the area only accounts for 0.6 government's securing of act as a host

land for the US military was unconstitutional.

The ruling comes ahead of a local referendum in Okinawa on September 8 on the future of the island's bases. Political analysts said the ruling could fuel anger among Okinawans who resent the concentration of US troops in their midst.

The small southern island is bost to 28,000 of the 47,000 US troops stationed in Japan; and 75 per cent of overall US military bases in the country are located in Okinawa. Emotions over the Mr Ota had opposed the US military presence flared ruling on the grounds that after the rape of an Okinaservicemen last September, leading to a campaign to remove all the troops.

Consequently, nearly 3,000 of the 32,000 Okinawans who lease their land to the US announced they would refuse to renew leases. Their holdings represent around a tenth of the land used by the US military in Japan. Yesterday's indgment covered 35 out of a total of 3,000 leases in Okinawa.

To defuse local resentment, the US agreed in April to return land at present occupied by an air base on Okinawa. But while the US and Japanese governments agreed to transfer airport Mr Itsuo Sonobe, the pres-iding judge, said though US Japan without reducing the facilities to other parts of number of troops based in Japan, various municipali-ties on mainland Japan have per cent of Japan's total since rejected requests by area. This did not mean the the Japanese government to

Manila tries to boost savings

By Edward Luce in Manila

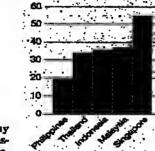
In a bid to alter what many characterise as a "spend-asyou-earn" national culture, President Fidel Ramos yesterday created a national savings commission.

The aim is to boost Philippines' domestic savings to levels registered by its more abstemious Asian neigh-

The move falls well short of creating the compulsory savings schemes pioneered in countries such as Singapore, but is intended to help lift the Philippines' savings rate of 19.4 per cent to the regional average of over 20 per cent of gross domestic product. Government economists

say the Philippines' relatively low investment rate (23 per cent of GDP last L) IS DESAID by a propensity to consume rather than save. Others, notably Mr Lee Kuan Yew, Singapore's senior minister, have ruffled local feathers by blaming problems such as the low savings rate on the Philippines' "exuberant" democratic culture.

The new savings commission, which will be chaired by Mr Roberto de Ocampo, secretary of state for sector. finance, will have the Econ anthority to create incentives to encourage people to save more in the formal banking system. The promotion of thrift banks, spe-year, is much faster than cially designed for small the rest of Asia.



savers, and a national edncation campaign, will be part of his remit.

"The Philippines has gone quite a long way to creating an environment for higher domestic savings by establishing fiscal responsibility after years of irresponsibillty," said Mr Bernhard Eschweiler, chief economist at JP Morgan in Singapore.

"There is nothing in its culture which suggests it cannot boost its savings rate. The astonishing real estate boom the country is going through suggests its savings rate may be under- | debt offerings by Indian companies still estimated."

including Mr George Ty, head of Metrobank, the country's largest, say the savings rate is kept down by government-imposed constraints on bank lending. These include a 15 per

cent reserve requirement and laws which compel banks to lend 40 per cent of their portfolio to small businesses and the agricultural Economists say the other

significant barrier to higher savings is the country's galloping population growth which, at 2.3 per ceot a

Foreign investment in Indian shares slumps after budget

By Tony Tassell in Bombay

Net foreign investment in India plunged in August following a lacklus-tre market reaction to the United Front coalition government's first budget last month. The budget displeased advocates of faster reform, who lost out to caste and rural interests represented by the 13 members of the fractious coalition government of the prime minister, Mr H.D. Deve Gowda.

Foreign institutions made net purchases of Indian shares amounting to only \$27.6m in the first three weeks of August, according to figures released yesterday by the Indian market regulator, the Securities and Exchange Board of India (Sebi).

investment of \$302.4m by foreign institutions in July and \$357m in June. Up until the end of July foreign institu-tions had made more than \$2.4bn of net investment since the start of the year. However, while foreign investor

interest in the domestic market bas slowed down, international equity and attracted a strong response over the past month.

Three companies - petro-chemicals group Reliance Industries, industrial Credit and Investment Corporation of India, a finance house, and Tata Engineering and Locomotive - raised between them more than \$655m over the past month through issues of global depository receipts or bonds.

The market appears divided on whether the decline in foreign investor interest reflects a diversion of funds to the international issues, the effect of August holidays or a deeper malaise in the domestic Indian share market.

Sebi yesterday also announced longawaited reforms to the country's complex takeover laws, a significant step in This is a sharp drop from the net the liberalisation of the market. The simplification of rules was welcomed by the market, which complains that existing laws are ambiguous, "totally chaotic" and represent a stumbling block to takeovers.

This was illustrated last year in India's first potentially competitive takeover battle in which Bombay Dyeing and Manufacturing, the Indian tex-

tiles-to-petrochemicals group, was refused permission by Sebi to make a rival offer to a bid by Torrent, a pharmaceuticals-to-power group, for e stake in Ahmedabad Electricity.

Justice P.N. Bhagwati, head of the Sebi review committee, said the proposals would make takeover regulations fairer and transparent while protecting the interests of sharebolders.

Uoder the reforms, bidders will be able to acquire 100 per cent of a company; the ceiling is now 80 per cent. Conditional offers for a minimum of 20 per ceot of a company will also be allowed. However, bidders will have to deposit 10 per cent of the offer amount in an escrow account during a bid. Mr Bhagwati said this would "discipline delinquent acquirers" to complete an offer on time and discourage "frivo-

lous" bids. The level of equity holding that would trigger a mandatory public offer has been maintained at 10 per cent. However, a new threshold of any "change in the control" of a company would also trigger a mandatory public

New political group formed

By Gerard Salcer in Tokyo

The third biggest party in Japan's coalition govern-ment splintered yesterday with the departure of its sec-ond most senior figure. Mr Yukio Hatoyama quit the New Harbinger party to form a new political group which could provoke a wider realignment of the political

talks between Mr Hatoyama and New Harbinger's leader, Mr Masayoshi Takemura, over the strategy the party should adopt in the run up to a general election. The poll is likely to be bald could not find a third way. within the next six months. A number of more liberal-

ly inclined members of the ly-inclined members of the broadly centrist party have been pushing Mr Hatoyama to aim for a tie-up with members of the second largest coalition party, the Social Democrats, o move about which the mure consequenting Mr Takomura is Social Democrats. o move about which the more conservative Mr Takemura is able to persuade a larger

expected to press ahead with plans to attract SOP members to join, the parliamentary arithmetic begins to get more complicated for the prime minister.

At present, the LDP has a new party as early as next month. A handful of other members of the New Harbin-lower house, and the SDP 63, ger party are expected to

widespread reshaping of political parties can now begin. Mr Hatoyama wants to attract members of the opposition New Frontier party into his ranks; significant changes are unlikely before the election, but his brother, Mr Knnio Hatoyama, a New Frontier member, has pledged support. Many other New Frontier

members are more likely to The break-up come after favour a reunion with their the fallure of last-minute former colleagues in the Liberal Democratic party, to form a more solid conservative grouping. Mr Takemura said yesterday that, given Mr Hatoyama's decision to lead a breakaway group, "we

> immediately threaten the government of the prime minister and LDP leader, Mr Ryutaro Hashimoto, since even without all the New Harbinger party's deputies, the coalition has a sizeable

The realignment does not

number of SDP members to

while the full New Harbinnin. ger contingent until yester.
They hope a much more day could muster only 23.

ASIA-PACIFIC NEWS DIGEST

Auditors face Australian case

The Australian Securities Commissioo has won a Federal Court appeal, allowing it to pursue a court action against Deloittes Haskins & Sells/Deloitte Ross Tohmatsu, the international accountancy firm, in its role as former auditors of the Adelaide Steamship group. Adsteam, headed by Mr John Spalvins, was one of Australia's 1980s high-flyers. The ASC says five former directors and the former auditors failed to account correctly for loans and inter-company transactions in the 1990 accounts. As a result, it claims, the reported profit was overstated by A\$518m (US\$410m), and directors allowed dividends to be paid out in breach of fiduciary duties. Nikki Tait, Sydney

Megawati court deal fails

The ousted leader of the Indonesian Democratic party (PDI), Ms Megawati Sukarnoputri, failed to reach an out-of-court settlement with the government and political rivals yesterday, ber lawyer said. The official Antara news agency meanwhile reported that the attorney general's office had secured President Suharto's permission to question Ms Megawati further in

connection with riots in Jakarta on July 27.

Police have already questioned her twice over subversion charges against activists from the left-wing People's Democratic party, whom the government has blamed for the riots, the worst in more than two decades Ms Megawati, daughter of Indonesia's late President Sukarno, was ousted as party leader in June at a government-backed rebel congress. The riots broke out after police raided PDI headquarters to eject Ms Megawati's supporters.

Philippine Moslem rebels die

Philippine troops killed seven Moslem rebels in a gunbattle yesterday on the eve of a final round of talks to end 24 years of war in the southern Philippines. The army said members of its elite Scout Ranger special force were on patrol in South Cotabato province when guerillas of the Moro Islamic Liberation Front opened fire on them. The MILF is a breakaway rebel faction which seeks an

slamic state in the southern Philippines. The clash came before the initialling in Jakarta tomorrow of a peace accord by the government and the mainstream Moro National Liberation Front. (MNLF). The accord proposes the setting up an MNLF-led council to administer development to 14 southern provinces and the integration of 7,500 guerrillas into the Philippine armed

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Mexicans defend right to invest

By Leslie Crawford

Mr Stnart Eizenstat, the US trade envoy, met a frosty reception in Mexico yesterday as his ettempts to defeud the controversial Helms-Burton Act, which seeks to restrict foreign investment in Cuba, were firmly rebuffed.

Mr José Angel Gurría, foreign minister, warned the visiting US trade under-secretary that Mexico would countar the Helms-Burton Act with an "antidote law" defending the right of Mexicana to conduct business anywhere in the world, according to diplomats present at the

meeting. Mr Gurría also reminded Mr Eizenstat of Mexico's long-standing opposition to the US trada ambargo against Cnba, and bis aupport for Cnba's full participation tn Latin American organisations.

Eizenstat called on Mexico to defend democracy in Cuba by ecoporting the Helms-Burton Act. Mexican foreign ministry officials. however, eaid political evolution in Cuba was for Cubans to decide.

The controversial US law received another international blow this week when a panel of jurists from the Organisation of American States (OAS) unanimously ruled that the Helms-Burton Act "did not conform to international

The 34 members of the OAS permanent council are expected to discuss the unanimous legal opinion

today. President Bill Clinton has waived for at least six months a provision of the Helms-Burton law allowing US companies and individuals to file suits in US courts against "traffickers" in expropriated Cuban properUnexpected decision creates chaos for foreign-owned assembly plants

Poland curbs car part imports

By Christopher Bobinski in Warsaw

Car producers in Poland have been thrown into chaos by the government's plan to limit car and truck assembly operations by forsign

Under the new pobcy, the government has told existing car assemblers - including Flat, GM, Ford and Volvo without paying duty if they obtain a special permit from the foreign trada ministry. Until now importers of assembled cars have had to pay a 35 per cent duty, while those who assemble 1,000 vehicles or more a year have been exempted from the The government has said

there will be no duty-free permits for new assemblers, and all existing assembly operations will have to get epacial licences from January 1 1997.

They expect that this ahould reduce the number of assemblers from tha 16 currently in operation. The government plans to issue auch licences to

manufacturers which that they can only continue declare they will assemble more than 10,000 vehicles a year and, more crucially, treat the assembly operation as a step to full production in Poland or at least sourcing components locally. The new orders bave disorganised supplies of foreign components from abroad and is affecting the local operations of big

Poland: car sales Market share Daswoo-Fao 20.8 25.1

OKONE TS AL

Ford 30 18 Mr Glovanni Prato, head of Flat Auto Poland, which

makes its Cinquecento car in

Bielsko Biala, warned that

finding delays receiving components for the cars it produces as well as assembles in Poland The change in the rules saw market entrants like

surprise by the order, is

Hyundai of Korea racing to bring in components for the assembly of its first vehicles by midnight of August 24, when the new rules were brought in. This entitles Hyundai to claim that assembly had started by that date and therefore apply for the duty exemption. Universal, a listed Polish

company which will be assembling the cars for the Koreans, has said it plans to produce 15,000 cars within production would come to a halt unless the situation was the next 12 months. resolved immediately. Fiat, which was caught by

Poland'e car industry is currently dominated by Flat in second place with 20 per of Italy and Daewoo, the cent.

Korean conglomarate. Daewoo is assembling its Nexia and Espero models in Poland as a step to full local production. Meanwhile GM, which already assembles around 10,000 Astra cars a year in Poland, is planning to start building a DM500m (\$385.5m) factory in the

Poland'e car market is expected to grow to 390,000 vehicles a year in 2001. The first seven months of this year have seen sales of 280,000 vehicles, or 33 per cent more than in the same period last year. Earlier estimates put demand for this year at 290,000 cars. Fiat had 43 per cent of the market in the first seven

WORLD TRADE NEWS DIGEST

Music sales face slowdown

Sales of compact discs and cassettes are set to drop significantly in the world's largest markets, including the US, Germany, France and Japan. An analysis published today by Music & Copyright, a Financial Thues newsletter, shows that wholesale sales in the 13 countries representing 80 per cent of the global music market rose i per cent, barely above inflation, to \$11.50n during the first half of this year.

The lull in sales poses a potentially serious problem for the multinational groups that dominate the global music market, historically one of the most profitable areas of the entertainment industry. The immediate Impact of the first- half slowdown is softened by the fact that sales are at a historically high level after years of healthy growth in the early 1990s when the teenage population expanded in North America and Europe, and new musical gennes such as rap, grunge and Britpop emerged. Record companies can also count on continued sales growth in

the fast-expanding economies of Asia and Latin America. Sales fell in France and Canada by 3 per cent and 8 per cent respectively during the first half of 1996, according to Music & Copyright, and barely kept pace with inflation in the US, Japan and Germany. Even the UK market, where retail music sales soured to a record £1bn (\$1.55bn) in 1995, and rose again by 13 per cent in the first quarter of 1996, increased less than 2 per cent (below inflation) during the Alice Rawsthorn, London second quarter.

Brazil to scrap export tax

Brazil'e lower house of congress has voted to abulish a value added tax ou exports and investments in a move the government said would boost the country's trade performance and stimulate economic growth.

The tax, known as the ICMS, was introduced in 1967 and is collected by state governments at varying rates of up to 25 per cent. The change in the law late on Tuesday, which is expected to be endorsed by the senate this week and to take effect a month later, will cut states' revenues. gradually as more goods and services become exempt over the next two years. Mr Clovis Panzarini, of São Paulo's tax office, said revenues in the state would full by R\$404m (\$398m) in 1998 and by \$1.5bn a year from 2000 if economic growth continued at current levels. He expected revenues of R\$21 6bn this year. The federal government intends to pass R\$3.6bn to the states in compensation in 1998, rising Jonathan Wheatley. São Pauli to R\$4.4bn in 1999.

ICI opens Indonesian plant

ICI Surfactants Indonesia, an Indonesian unit of the UK's Imperial Chemical Industries group, shrugged off recent political turmoil in the country and opened a manufacturing site outside the capital, Jakarta. ICI said the expension by its surfactants unit, part of ICI's Performance Chemicals was, "the beginning of much reater involvement" in the country.

Mr Rob Margetts, executive director, said political trouble in Indonesia had not affected the company's plans to develop projects worth more than \$200m during the next three years. Concerns over Indonesia's political risk were heightened by anti-government riots which rocked Jakarta last month. Mr Margetts said ICI had carefully discounted this, and there was "an awful lot of good happening in the Indonesian economy". ICI also has plans to open a \$24m paints factory. Manuela Saragosa, Jakarta

Defiance pays off for bikini women

Leslie Crawford reports on the silent suffering of Mexican factory workers

t was a sunny Saturday American Free Trade Agree-afternoon, and the man ment, the Mexican employagere of American United Global, a Californian manufacturer of vebicle parts, had invited the Mexican workers of their aubcontractors in Tijuana to a

The female employeea were ordered to strip and take part in a "bikini contest". Stung by the humiliation, but fearful of losing their jobs, the women com-plied. The managers then videotaped the reluctant beauty pageant.

After the picnic, 118 employees filed a sexual harassment euit before Mexican courts. They were fired from their jobs. The US managers repeatedly refused to appear before a Mexican magistrate. Undeterred, the women took their grievance to a US court. They filed snit before the Los Angeles Superior Court, claiming severance pay owed to them under Mexican law. A few months ago, American United Global settled out of

"Thanks to the North

ment the Mexican employees of the assembly plant had access to a US tribunal." settled in the women'e favour in a Mexican court."

The case marked a rare act of deflance for Mexico's passive, and overwhelmingly female, labour force in the moquilodora (assembly) industry on the US-Mexican border, According to a report published this month by Human Rights Watch, the US human rights group, it is more common for Mexico's maquiladora workers to suffer discrimination and sexual harassment in silence.

In the report, Human Rights Watch charges that Mexican subsidiaries of US and Japanese corporations subject prospective female employees to mandatory pregnancy tests in order to screen out expectant women and deny them jobs. Pregnancy testing violates Mexico's labour code. Human Rights Watch also accuses some maquiladoras

of mistreating workers who become pregnant, forcing them to undertake heavy labour and work extra hours saya Mr Jaime Cota, a in contravention of Mexico'e Tijnana labour lawyer. "The labour laws. "The punitive issue would never have been use of abusive working conditions often plays a role in forcing pregnant women

> Thanks to the North American Free Trade Agreement, the Mexican employees had access to a US tribunal

workers to resign," the report says. Ms Dorothy Thomas, a director of Human Rights Watch, comments: "We are troubled that US and other corporations openly practise

sex discrimination, and that mandated by Mexican law. the Mexican government allows this discrimination to flourish unchecked."

The maquiladora industry plays a vital role in the Mexican economy. Starting in the 1960s, US and Aslan companies began locating along Mexico's 2,000-mile border with the US to take advantage of lower labour costs and a tariff-free regime for importing unassembled goods and exporting finished products. Today, the fact-ories which assemble television sets and other goods employ more than 700,000 people and generate \$30bn a year in exports - 40 per cent of Mexico's foreign earnings. Following the devaluation of the peso in December

1994, Mexican wages in the magnilodora industry fell to below one-tenth of manufacturing wages in the US. Despite the huge differential, Human Rights Watch found that, as a norm, US compa-nies in Mexico refused employment to pregnant women in order to avoid paying the 12-week maternity leave and other benefits

The human rights group said maquiladora workers, often the sole bread-winners of large families, were unwilling to challenge discriminatory practices because of the lack of alternative employment. Instead, female workers were more likely to conceal their pregnancies, even when their health was at risk, in order

to keep their jobs. Human Rights Watch called on the Mexican govagainst maquiladoras which discriminated against pregnant women. It urged the US government to put pressure on Mexico to comply with its own labour laws. And it urged US corporations in Mexico to end the practice of pregnancy testing and the harassment, intimidation and forced resignation of femala amployees who

become pregnant". No Guarantees: Sex Discrimi-nation in Mexico's Maquiladora Sector. Human Rights Watch, 485 Fifth Avenue, New York. NY 10017-6104.

NEWS: INTERNATIONAL

Palestinians turn to protest as peace process dries up

lative Council's call for a halt to contacts with Israel, coming on top of Palestinian Authority President Yassir Arafat's announcement of a strike in the West Bank and Gaza - a measure not seen since the end of the intifada uprising. is evidence of the desperate state of the Arab-Israeli peace process.

Frustrated by the lack of progress on peace and by the hardline decisions of the new Israeli government, ranging from the expansion of Jewish settlements to the demolition of a community centre in Arab East Jerusalem, anger in the Palestinian community is rising. Mr Arafat yesterday defined Israel's stance as a declaration of war on the Palestinians.

The planned strike is particularly significant in the Palestinian psyche because it evokes a key form of protest used during the intifada between 1987 and 1993, when

election of the new Israeli prima minister, Mr Benjamin Netanyahu, who opposes a Palestinian state and has said he will not honour existing commitments to

discuss the future of Arab East Jerusalem, many Palestinians have been talking of a new uprising. Mr Arafat has been pleading with the international community to put pressure on the Israelis to resume the stalled peace process. Without much success, a beleaguered Mr Arafat even wrote

an appeal to Israeli Presi-dent Ezer Welzman, who agreed to meet Mr Arafat as Mr Netanyahu has eo far refused to do so. But, in the face of Israeli demolitions of homes, Israeli

demands that the Palestinian Authority close its offices in East Jerusalem. ments, and an indefinite delay in the promised Israeli Israel and the PLO began redeployment from the West out of options that might show Palestinians he is bringing home gains from

Mr Mark Heller, a political scientist at Tel Aviv University, said Mr Arafat feared becoming the target of popular protest if be did not start taking a lead. Lack of progress on peace will benefit the Islamist Hamas movement, which opposes Mr Arafat's deals with Israel. Mr Netanyahu has been

treating Mr Arafat as though patiently until Israel can find a way to address its security concerns in the light of the 1993 Oslo accords with the Palestinians. But several Middle East analysts said yesterday the Israeli premier was in grave danger of miscalculating the state of sentiment among Palestinians. "The problem is that no one has developed a precise kind of thermometer to measure where the boiling

hammering out an interim Bank town of Hebron, Mr point is, and Netanyahu may peace accord. Since the May Arafat seems to have run misread that point and wait too long, and then seriously have his back to the wall,

> Optimists held out hope that a meeting scheduled for today between Mr Netanyahn's political adviser. Mr Dore Gold, and Mr Arafat's envoy, Mr Abu Mazen, could produce a breakthrough that would help dissipate tensions before tomorrow, when thousands of Moslems without permits to enter Jerusalem might confront Israeli soldiers at checkpoints to attend prayers called by Mr Arafat

Others who are less sanguine about the route Israeli-Palestinian relations have taken this week say such a meeting will have to produce something very tangible if a further deterioration and a return to violence are to be avoided. To cool off the current state of hostility, Israel would have to produce a decision on Hebron, on a fur-



A Palestinian collects possessions from the ruins of his home after it was demolished by

and a date for the resumption of peace talks or a sum-mit between Mr Netanyahu and Mr Arafat.

"This is not a slight package that might include a detour," said Mr Ali Jarbawi, an appert on Palestinian the peace process." The

very essential for Arafat to do something. From the beginning the only thing that kept the peace process alive is hope in the future, and if you kill that you kill

ther easing of the closure of affairs at the West Bank'e strike and a possible march the West Bank and Gaza. Bir Zeit University. "It's to Jerusalem, he said, "are a clear message to Israelis and to the world that Arafat is at this juncture: Either you help me, or things are going

Hene Prusher

Tragi-comedy of South Africa's jobs lottery

A quick wit and a lucky face help the unemployed secure much-sought-after work, writes Mark Ashurst

the deluge of job seekers in ✓ South Africa have resorted to lotteries and stand-up comedy to select the best candidates from thousands of hopefuls pursuing every new post.

New vacancies are so oversubscribed that Anglo American subsidiary NF Die Casting recently chose a horse racing stadium as its venua for a lottery to recruit 80 new staff. And the city's newest luxury hotel, the Rosebank Hyatt, claims to have chosen personnel on the etrength of a quality rarely found in the South African service industry: a sense of humour.

A well-timed joke carries a special premium in a job market where the odds of success are about 1 in 1,000. More than 7,000 people applied for work at NF Die Casting last month, while the Hyatt received 20,000 written applications for just 200 vacan-

According to official surveys, 33 per cent of South Africa's poten-

any person paid for a few hours of informal labour in the month prior to the survey. If the definition were confined to people working longer hours, or paying tax in the formal economy, the jobless total would be closer to 50 per

This abundance is not, however, an ambarrassment of riches for employers. In euch desperate social straits, the task of recruitment is daunting, and can be

New workers at NF Die Casting were taken on only last month, weeks before work began on a new contract to export cylinder heads for Ford cars. The decision to hire at the 11th hour was a safety precaution after an earlier attempt was ambushed by armed gunmen.

On January 29, men wielding assault rifles opened fire on 2,000 jobseekers queueing outside the

flerce competition for jobs and trade union rivalry were contributing factors. Anger among amployees

opposed to the introduction of recruits, enabling round-the-clock operations at the expense of overtime payments for exieting staff, has also been mooted as a source of strife. We analysed the process very

carefully before advertising the posts again in July," says Mr Robert Smook, human resources director, who eventually opted for what he terms a "ballot" to select a short-list of 500 candidates. The winners subsequently take aptitude tests, reducing their numbers to a pool of 200 from which management makes a final choice.

"One of our greatest fears was that the violence in January was politically inspired. We have agreed the terms of the ballot Johannesburg factory, killing with the unions and they monitor

tial workforce is unemployed. But eight. The motive remains a mysthe process continuously. It's basitised round trips to the hotel for this figure counts as employed tery, but there is consensus that cally a lucky draw," says Mr R20 (\$4.40) a head. Early arrivals Smook.

This elaborate process has been nicknamed "Zama Zama" - the Zulu phrase meaning lottery - by local people. As a precaution, the ballot was held at the Newmarket Race Course in Johannesburg's southern suburbs, where the 7,000 applicants filed one by one through turnstiles under the scrutiny of riot police.

"Newmarket offered the stadium free of charge to the community which keeps them in business," says Mr Smook.

In contrast, recruitment for the Hyatt hotel sparked a surge in impromptu business among local entrepreneurs, Mr Robert Daw. son, hotel manager, recalls driving to work on the day application forms became available to find "at least a thousand people" snaked around the new hotel.

A day later, the length of the queue had doobled after drivers of

mped their investment by selling photocopied application forms for R15 to people at the tail of the queue.

The flood of applicants was no surprise. During the year it took to build the hotel, an average of 20 job seekers daily found their way to the manager's unmarked temporary office in the darkest corner of the building site. Mr Dawson was impressed by their entrepreneurialism, exemplified by the uniformed men patrolling his hotel car park. Private security guards had hired themselves out to taxi drivers to stop people from pushing ahead of their clients in the queue.

n such a frenzied labour market, employers become reluctant to advertise jobs. But. says Mr Smook, "You can't just take people off the streets - you get accused of nepotism if you ask minibus taxis in Soweto adver- a guy on a production line to

bring in his neighbour." Employers with multi-ethnic staff are also wary of relying on third parties for recruitmen

Both the government Department of Manpower and private agencies have a history of bias in favour of applicants from the same areas or ethnic groups as agency staff.

For all these reasons, the Hyatt sought staff with no previoue experience - a decision which improved relations with nervous competitors.

"The other hotels were hostile. and terrified of poaching," says Mr Dawson. It was a lahour-intensive route to go, but with the long nights of sorting 20,000 application forms now behind him, he believes the process will benefit a

sector notorious for poor service. The final recruits, chosen from interviews with more than 10,000 applicants, had only a few seconds to impress managers.

"Anyone who told a joke was instantly accepted."

Further rift with **Nigeria** averted

By Paul Adams in London

Foreign ministers from the Commonwealth averted a further rift with Nigeria yesterday, agreeing to send senior officials to the capital Abuja after the army regime imposed restrictions on a proposed ministerial factfinding mission.

The Commonwealth Miniserial Action Group said in London the officials would meet Nigerian counterparts tomorrow and Friday to discuss details and dates for a later visit by the ministers. "We are sending officials

so that our trip will be as productive as possible in the time available," an official said. The minieters will review the position at the end of September. The Commonwealth. suspended Nigeria as a member last November in protest at the execution of Ken Saro-

Wiwa and eight other Ogoni

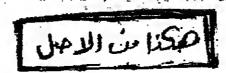
activists, and set up an action group - to monitor progress to civilian rule and investigate the plight of political prisoners. But the Nigerian regime refused to allow the mission access. The Nigerian government rejects the Commonwealth's . right to monitor its threeyear transition to civil rule. It reiterated yesterday that Abuja regarded any pro-

posed visit as merely a pre-

cursor to Nigeria's readmis-

sion into the Commonwealth. When the action group was denied access to Nigeria. sanctions were proposed. including a ban on sporting and air links and a downgrading of diplomatic missions, hut a decision on this has also been postponed.

The Commonwealth has little leverage over Africa's most populous nation, but more powerful bodies. including the European Union and the US, have looked to the Commonwealth for a lead on Nigeria, which has alienated itself internationally with its treatment of opponents and extension of army rule.



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صكذات الأصل

ISS to sell 75% stake in loss-making US unit

in Copenhagen

ISS, the Denmark-based international contract under-statement of self-incleaning group, has signed a surance provisions and Canadian company with no letter of intent to sell 75 per understatement of accruals present operations. Aaxis cent of its loss-making US subsidiary, ISS Inc, to e company owned by Mr Michael Ashcroft, the colourful Florida-based British entrepreneur. ISS announced yester-

Relief was palpable at ISS headquarters near Copenhagen yesterday. "This is the best possible colution," Mr Waldemar Schmidt, chief executive, told the FT.

By Robert Corzine

nally envisaged.

Cost savings from the proposed \$5bn merger of the

European downstream assets

of Britisb Petroleum and

Mobil of the US could be

substantially higher than the pre-tax \$400-\$500m origi-

Mr Lucio Noto, Mobil

chairman and chief execu-tive, said the figure used

when the merger was first

announced last February

was based on the limited

information the two companies could share during the

early stages of the deal,

which earlier this month

received the go-ahead from

In an interview, Mr Noto

what the final figure might

But he said the twn com-

panies had identified "much

more potential" for cost

savings through asset ration-

would not necessarily mean

more job cuts than the 3.000

or so forecast last February.

By William Hall In Zurich

of half-year results.

Ciba and Sandoz, the Swiss

pharmaceutical groups in

reported a disappointing set

cent to SFr1.6bn (\$1.34bn),

while Sandoz increased net

income 12 per cent to

The results, which are

expected to be the last before

the merger, were below

expectations and in contrast

which reported a 16 per cent

rise in first-half net income.

the European Commission.

charges and provisions to

write-off of DKr1.2hn in in Asxis. goodwill in the US subsid-DKr7.4bn and saw its equity Mr Martin O'Halloran, the capital slasbed from chief executive who was DKr2.69bn at the end of last year to DKr729m on June 30, taking the equity-to-assets

Savings from BP-Mobil

merger 'higher than seen'

he said, although there could

be no "short cuts" in the

a number of continental

The first three country

partnerships out of a total of

40 are due to be set up by

the end of the year. The pace

of integration would then

quicken, with the remainder

expected to be in place by

Under the deal BP will focus on refining and mar-

keting, and will control the

retail network. Mobil will

concentrate on the lubri-cants side of the husiness,

savings next year. "We

1997, hut we bope to trap the

He diemissed Industry

speculation that Mobil and

make such an amhitious

plan work on the ground. "This merger was not

in its first-half net income to

where sales rose 10 per cent

SFr986m. In local currency

terms pharmaceutical sales

now account for 49 per cent

Pharmaceutical margins

rose a full percentage point

to 25.6 per cent, helped by

which does not disclose sec-

tor profits at the halfway

stage, reported a 6 per cent

40 per cent a year ago.

won't trap the whole prize in

Mr Noto said he expected

countries.

declined to speculate on to realise most of the cost

alisation. This, he sald, BP would find it hard to

He said there was no dif- invented in the board room,"

to results earlier this week strong volume growth and

from Roche, Switzerland's cost control measures, Ciba,

to SFr2.2bn, and Clariant, rise in its pharmaceutical

Sandoz's former speciality sales, to SFr2.96bn. In local

the end of 1997.

bulk of it then."

ference of opinion between he said. Neither be nor Mr take a look at".

The group's existence was ratio to a dangerously low 13

ISS Inc will be sold to a cover false accounting, company controlled by Mr of the North American com-Ashcroft called Aaxis, a over several years at ISS inc will be listed on the Montreal stock exchange. ISS These items, plus the will buy a 25 per cent stake

But ISS Inc will continue iary. plunged the group into to operate as before, using a first-half loss of DKr2.01bn the same name and logo, and (\$350m) on turnover of under the management of responsible for uncovering the financial scandal in New

John Browne, BP chief exec-

Mr Noto confirmed that

the European merger was a

"The real issue is to get the

two cultures to work together. That will give us a

clue to whether we could do

more in future, and how we

Speculation about a simi-

lar downstream tie-up in the

US was unwarranted despite

recent "hiccups" at several

Mobil refineries in the US.

Mobil's domestic down-

stream operations were not

"disadvantaged" as those

Mr Noto said be was also

Some industry analysts

believe BP and Mobil could

also co-operate more closely

in refining and marketing in Asia. Mr Noto conceded that

was something "we have to

Ciba and Sandoz disappoint before merger

half-year results.

to SFr3.85bn and operating Ciba's business was its agri. SFr2.19bn on a 4 per cent said it was cautiously opti-Ciba's net profit rose 6 per income rose 15 per cent to cultural division, where increase in sales, to mistic for the rest of 1996

By contrast Ciba's special-

sales rose 13 per cent to

shareholders, reported sales,

adjusted for disposals, fall-

The weakest part of Sand-

oz's portfolio was its nutri-

tion business, where sales

rose 3 per cent to SFr1.82bn

(up 1 per cent in local cur-rency terms) and operating

income fell 14 per cent to

ish market.

ing 2 per cent to SFr3.3bn.

confident that downstream

investment in the US could

could do it."

in Europe,

mental policies.

Sandoz experienced con- ron as well as the anti-asth-

SFT3.35bn.

the process of merging to tinued strong growth in its matic Foradil, more than bedy nutrition. Ciba's total of
of the merger. "We both said utive, was willing to "let cor-let's go as fast as we can," porate egos get in the way".

process of consulting test bed for wider co-opera-employee works councils in tion between BP and Mobil.

ing place to consider placing ISS Brazil under the control pany, with a view to creatgroup.

Mr O'Halloran joined ISS in 1989 from ADT, Mr Ashcroft's Anglo-American security, cleaning and car auction business, when three ADT companies were sold to ISS in the UK.

Mr Schmidt, will "dramatic could happen to ISS." he ally reduce" ISS's bank commitments. An internal debt of \$185m to ISS in Denmark good news to report since he from the US company, as took over as chief executive

eventually produce
"double-digit" returns,
although much would
depend on future governLucio Noto: expects to realise most of the savings next year

in the deep water off the US

products, including the can-management decision to cial expenses, to SFr39m,

cer drugs Aredia and Lenta- increase the US market and a virtually unchanged

ouhled. Ciba's total operating prof-minium, packaging and The fastest-growing part of lts rose 3 per cent to chemicals group, yesterday

SFr11.4bn. A SFr40m decline

in net financial expenses, to

SFr76m, accounted for

SFr2.1bn. Sandoz's operating

income, adjusted for dispos-

als, rose 9 per cent to SFr1.63bn on sales of

SFr7.87bn. Sales volumes

rose 7 per cent and price

increases accounted for I per

cent of the 8 per cent adjusted sales growth Sand-

oz'e net income figure, like

ity chemicals business, nearly half of the SFr96m from Zurich.

Alliances with other com- position "is not as good as

BP is heavily involved in

and was confident full-year

results would exceed those

of 1995, AFX News reports

The group, which was

announcing a slight rise in

first-half net income - from

SFr197m to SFr207m - on

sales static at SFr3.8bn. said

It was confident about the

full year "if current trading

conditions continue . . . and

some stability is [regained]

Operating income rose

in the metals market".

panies could also play a part we would like it to be".

share of Gerber in infant and tax charge.

baby nutrition.

tax charge.

Alosuisse, the Swiss alu-

Discussions are also tak- well as letters of credit on October 1 last year, foling place to consider placing worth \$120m, will be taken lowing in the footsteps of over by the new company.

The agreement will also, he said, enable ISS to retain ing an American regional its global corporate identity, while the financial relief to the parent company will mean that the healthy parts of the business in Scandinavia and Europe will have the

resources to expand.

Mr Schmidt has had little

ISS's legendary founder, Mr Poul Andreassen, who built the business up into the world's leading contract cleaning company with some 120,000 employees in Europe, Brazil, North America and

At the end of October he esources to expand. had to issue a profit warn-A Copenhagen analyst ing, and in May he SS in the UK. who specialises in ISS announced provisions of The deal with Aaxis, said agreed. It's the best that \$100m to cover the discrepancies in New York, a sum which rose to \$146m when the first half accounts were published in the middle of

Associate holdings lift Jyske

in Copenhagen

Bank, the fourth-ranking Danish bank, increased from DKr346m to DKr492m (\$86.3m) in the half-year to

The bank predicted that full-year earnings, before loss provisions and the mar-

of DKr600m-DKr750m. Tryg-Baltica, Denmark's leading insurance group, reported a decline in firsthalf profits after tax from DKr557m to DKr381m (366.8m). Non-recurring

accounted for the decline. Earnings before extraordinary items and gains on securities increased from DKr143m to DKr211m. The group reported a 14 per cent rise to premium income to DKr4.44bn, and forecast full-year after-tax profits about DKr550-DKr600m

Bank

June 30.

operations slipped from DKr1.41hn to DKr1.88hn. There was a significant increase in both advances and deposits, but the margin on interest business narrowed, said the bank.

improved first-half perfor-

Bed-loss provisions creesed from DKr158m to DKr186m, while operating expenses increased by about 5 per cent to DKr746m.

ket valuation of securities, would be in the upper region of a budget estimate

income of DKr284m in 1995, compared with none in 1996,

compared with DKr1.06bn in 1895, which included DKr600m in one-off gains.

Pre-tax earnings at Jyske

Profits from financial

Revaluation of capital interests in the Jutlandbased bank's associated companies, which drew down earnings by DKr149m in 1995 but added DKr28m to earnings in 1996, was the main explanation for the

in Mohil's upstream BP is heavily involved in operations, especially in the area but it has done so new fields being discovered mainly through partnerships with Shell, the Anglo-Dutch The market revaluation of the bank's securities porifolio added DKr159m to income this year compared with DKr178m last year.

NEWS DIGEST

Koor rises 25.5% in second quarter

Koor Industries, Israel's largest holding group, yesterday said net profit in the second fiscal quarter of 1996 jumped 25.5 per cent from Shk152m to Shk191m (\$61un). The rise because the control of the brought net profit for the first half of 1996 from Shk3.8hn in the year-earlier period to Shk392m, a 15.6 per cent

Mr Benjamin Gaon, chief executive, attributed the first-half result to Koor's new strategy of focusing units core businesses. Earnings were also strong "in view of the worsening of the husiness environment".

Koor, which accounts for more than 7 per cent of Israel's industrial output and export, focuses ou telecommunications, hotels, electronics and sgrochemicals. Earnings per share rose to Shkl2.61 in the second quarter, up from Shkl1.07 in the year-earlier period. Earnings totalled Shk25.89 per share in the second half aminot Shkd4.7 a specific half, against Shk24.7 a year ago.

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Operating profit rose to Shk643m during the first half of the year, up from Shk580m last year. Sales during the half reached Shk5.75bn, compared with Shk5.64bn a year ago. 2 2 per cent increase.

BolsWessanen falls mid-term

BolsWessanen, the Dutch food and beverages group, yesterday reported a 21 per cent decline in first half not profit from Fl 87.9m to Fl 63.5m (\$38.3m), on roughly unchanged sales of Fl 2.24bn. in line with earlier warnings, the profit included a one-off Fl 5.4m book less in connection with the sale of its Strothmann spirits unit in Germany. Operating profit before financial costs and taxes fell 21 per cent to FI 96.4m.

The company attributed the decline to a deteriorating performance at its cereals unit, lower margins ou the US dairy operations, and lower exports of spirits. It said its new cheese brands were developing "according to plun" and saw growth in natural and speciality foods.

BolsWessanen forecast a decline in 1996 net profit of about 10 per cent, and said it expected extraordinary reorganisation costs in the second half to total some Fl 10-Fl 15m. The group's 1995 net profit was Fl 205.8m.

It also announced the purchase by its Crowley dairy unit of two companies in the US, Penn Maid Foods of Philadelphia, marketing dairy-based products under the Pennmaid brand, and Hagan Ice Cream, based near Pittsburg. The two companies have combined sales of 66m. BolsWessanen said the acquisitions were in line with a strategy to acquire dominant regional positions in the US markets.

David Brown, Amsterdam David Brown, Amsterdam

Hungarian move for Santander

Banco Santander, the Spanish banking group, has made its first foray into central Europe by taking a stake in Inter-Europa Bank of Hungary. It said it had already bought 5.3 per cent and intended to increase its participation to 9.9 per cent by the end of the year, for a total of about Pta700m (\$5.6m). It described the operation as being "hand-in-hand" with Italy's San Paolo di Torini, which is Inter Europa's main shareholder with a 32 per cent holding.

Despite its relatively small size, the operation marks a significant new direction in Santander's international policy, heavily geared to the Americas. It intends to set up a "Spanish desk" at the Hungarian bank to promote banking and trade-finance business with Spain and Latin America, in addition, Santander's German consumer briance subsidiary CC-bank, in which it recently bought out Royal Bank of Scotland's half-share, is set to open a representative office in Prague. David White, Madrid

Wolters Kluwer in US buy

Wolters Kluwer, the Dutch business, tax, and legal publisher, yesterday announced plans to take control of he professional publ ness of Little, Brown and Company, now a division of the Time Warner group in the US, but declined to provide financial details. The group said it expected to complete the transaction next

Little, Brown and Company specialises in medical and legal publishing in both print and electronic formats, Wolters Kluwer said, its primary clients include medical, law, and tax professionals, as well as students. The professional publishing division has annual sales of \$50m. The Dutch group claims a leading position in the US medical publishing field, where it is represented by Lippincott as well as by the Facts and Comparisons

Credit Foncier shares suspended

Trading in shares of Credit Foncier de France has been suspended until further notice. Bourse authority SBF said the suspension will remain in effect until bourse regulator CBV has announced its decision on the hid by Caisse des Depots et Consignations, which has bid FFr70 a share for each Credit Foncier share on behalf of the government. Credit Foncier closed yesterday at FFr68.95.

Revamp at Metallgesellschaft

Metaligesellschaft said it will merge all of its engineering units into its Lurgi division in order "to co-ordinate its activities and make use of synergies". The company said the enlarged Lurgi division will comprise the three Lurgi units, as well as the Zimmer and Lentjes units. The merged division is expected to report sales of about DM4bn (\$2.7bn) for 1996.

AFX News. Frankfur. AFX News, Frankfurt

EdF ends its involvement in Sweden's Sydkraft

announced a 14 per cent rise per cent and sales of newer margins partly reflects a SFr175m reduction in finan-

which is to be spun off to rise in pre-tax profits, to

By Hugh Carnegy in Stockholm

A rapid round of restructuring in the Nordic power generation indus-try continued yesterday when Electricité de France, the French state utility, sold its 10 per cent stake in Sweden's Sydkraft to Statkraft, the Norwegian state-owned generator. EdF sold its shares to Statkraft

for SKr2.84bn (\$430m), ending a two-year investment in the Swed-ish group. The move lifted Statkraft's holding in Sydkraft to 15 in a liberalised supply market.

per cent, bringing it alongside Ger-many's Preussen Elektra as one of the group's leading shareholders.

The deal was the latest in a series of multinational manoeuvres within the sector this year, following the deregulation of the Norwegian. Swedish and Finnish electricity markets. Generator companies from the three countries and elsewhere in Europe are jostling for position in the battle to build mar-ket share and secure future profits

to secure control of Graninge, another Swedish producer. Yester-day's deal effectively ended a prolonged battle between EdF and Sydkraft for position in the Swed-

welcome partner and never won a place on the board. Sydkraft itself

lined by EdF when the French company forged an alliance with another shareholder.

Norway's Statkraft is one of the region's biggest power producers, with 9 per cent of the total Nordic EdF bought into Sydkraft, one of market. With Sydkraft holding 7 Sweden's top three producers, in per cent, it will see co-operation 1994 but was never regarded as a with the Swedish group as a big opportunity to expand market share in the biggest of the three

EdF's decision to retreat from inge, buying a 20 per cent stake in nies already have well-established Sydkraft followed its move in April But it was effectively side contacts, including power supply exchanges.

Also yesterday, Imatran Voima (IVO), the biggest Finnish producer, tightened its control of Gullspangs Kraft by forging an alliance with a local municipality that is a fellow shareholder. The two together hold a 70 per cent stake in Gullspangs Kraft, which bought Skandinavisk Elverk from Incentive, the Wallenberg industrial company, for SKr4.2bn.

Adecco hopes to lay the ghost of Blue Arrow disaster

Newly-merged group looks set to rival Manpower of the US in the temporary employment sector, reports William Hall

border mergers is lit-tered with grand mes".

Nonetheless, the merger is when shares in Adecco, the start trading this morning.

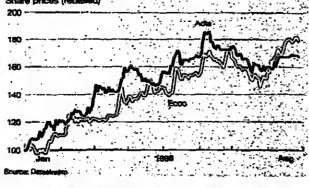
The last big international merger in the temporary-empower in 1987 - was a disaster for Blue Arrow, an ambitious UK company which over-extended itself. The current combination, by contrast, is billed as a friendly merger of equals, driven by corporate logic, and designed to create one of the world's top two temporary-employ-

Mr Klaus Jacobs, the Swiss financier who paid a single chareholder with 28 1991, promises that the ing signed a five-year sharemerger will unlock "substan-boider's agreement.

The history of cross- tial long-term value for the Merger of equals

Nonetheless, the merger is expectations. Hence there complicated. For legal reasons. Adia, which is more than doubling its shares in temporery employment issue, is taking over Ecco. agency formed from the But, for accounting purmerger of Adia of Switzer- poses, the transaction is the land and Ecco of France, other way round and, owing to the need to write-off more than SFr400m (\$335m) a year of goodwill over the next ployment sector – Blue five years, the new group Arrow's hostile bid for Man will be reporting losses for the next couple of years at

Furthermore, the chairmanship of the new company will alternate every year, with Mr Jacobs, who owns 22 per cent of the enlarged equity, taking the chair first, followed by Mr Philippe Foriel-Destezet, 61. founder of Ecco. Mr Foriel-Destezet will be the biggest steep price to rescue Adia in per cent, the two men hav-



an annual basis might be an ideal way to run a country like Switzerland. However, as ABB, the Swiss/Swedish industrial giant, bas discovered, having one chairman is better, in the long run, than

Moreover, Mr John Bow-

mer, the group's highly regarded chief executive,

Rotating the leadership on City in California while the group's headquarters are in Lausanne, Switzerland, and the operational centre for western Europe will be in Lyons, France.

The new management team, drawn largely from the ranks of Adia, is convinced that this unwieldy corporate structure will present no problems. Neverthewill be based in Redwood less, the shares of the the same size as Man-

live up to. Adia's shares, the quoted vehicle for the new business, have risen hy nearly a third since the deal and by more than 80 per cent since the start of the year, Adia has been the best-performing big share on the Swiss stock market this The stock market's

response to the deal has been driven by the belief that this is one of those mergers that cannot fail Mr Frederick Hasslauer, of Bank Sal Oppenheim (Schweiz), describes it as a "one-off coup" and says that no other combination of mid-size operators in the temporary employment field is abla to produce a company with such a global reach.

The merger has doubled the group's share of the estimated SFr100hn-a-year world market for temporary help to 8 per cent - roughly

enlarged group have a lot to power of the US, the market

Ecco, the bigger and more profitable of the two companies, is leader in the French was announced in early May market, the second-biggest market for temporary employment services after the US. It also operates successfully in south-east Asia and South America. Adia is number four in the

US and market leader in the UK, Switzerland, Germany and Australia. The combined group will have annual sales of SFr7.7bn and net income

have 2,300 branches and will he able to provida 300,000 temporary staff a day from its pool of 5m people. "Given the corre-lation of profitability to national market leadership, and the explosive growth of large corporate/cross-border contracts, growth prospects are bright," says Mr Hass-

co's British chief executive, says that the market for temporary employment staff tends to grow at four to five times the rate of GDP growth. Ha is particularly enthusiastic about its long-term growth prospects if the restrictive laws on hiring temporary staff are eased in big markets such as Germany, Japan and Italy. Mr Hasslauer argues that

Mr John Bowmer, Adec-

ment for the temporary employment industry is a deregulated temporary employment market com-The new group will bined with a regulated labour market". He believes that this is borne out by Adia's recent strong growth in the Netherlands and

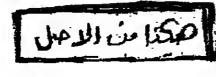
Adia's net income in the first nine months of its current financial year rose 55 per cent to SFr61.8m. Ecco.

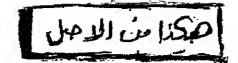
ures but its first-half revenues rose 8 per cent. However, the stock market's euphoria over the mer-

lts of the Adecco merger should not mask the fact that a large part of the busi-ness will still be geared to the husiness cycle: It will supply staff at times of peak demand. If the French economy, for example, were to go into recession, the long-term forecasts of double-digit revthe optimal growth environ enue growth for Adeccocould look ambitious.

The new group is now capitalised at SFr5.6bn and is trading on a multiple of about 25 times last year's combined earnings.

Mr Simon Marshall Lockyer, of NatWest Markets in Zurich, calculates that the shares are now trading at an estimated premium of between 10 per cent and 20 per cent above Manpower. which earns the bulk of its national has a lot to prove if Switzerland's newest multiprofits in France, has not it is not to disappoint its released its latest profit fig-





COMPANIES AND FINANCE: ASIA-PACIFIC/THE AMERICAS

Diverse results for Australian mining groups

By Nikki Tait in Sydney

• 1

Pasminco, the Australian zinc and lead producer, yes-terday produced one of the strongest performances among a clutch of the country's mining groups reporting their annual financial results yesterday. Overall, the results suggested diverse fortunes among the middle-

Pasminco posted an aftertax profit of A\$40.8m (US\$32.1m), compared with the 1994-5 figure of A\$16.7m. Earnings before interest and

tax were up from A\$54m to A\$88m, while sales totalled A\$1.32bn, compared with A\$1.22bn previously.

Pasminto sald the tripled result reflected higher pro-duction volumes and lower unit costs, hnt it saw no benefit from metal prices, in Australian dollar terms. Zinc production was up by 116,000 tonnes, or 28 per cent, while lead production increased by 7 per cent.

The company warned the price outlook for zinc was "auhdued", and relatively high stocks on the London although Goldfields had and by operating problems

r Stan Shih, chair-

man of Acer.

LV believes ha has an

answer to the age-old prob-

find their costly state-of-the-

art machina has become yes-

terday's model just months

after purchase, while know-

ing it has vast untapped

It is a solution he is confi-

dent will secure the future of

his company, Taiwan'a larg-

est computer maker with

group sales of \$5.82bn in

"I believe that what the

customer needs is not the

current style general pur-

pose PC," he says. "There are so many people looking

to own a PC, but it is too

expensive, too difficult to

use and too sophisticated for

concept is the precipitous

drop in prices of semicon-

ductor chips, the "brains" of

the computer and its most

expensive component, since

last year. The price falls have stung the bottom line

for chip-makers such as Acer

- which yesterday halved its

1996 net profit forecast down

to T\$3bm (US\$109m) and its

sales forecast from T\$80bn to

T\$68.5bn - but also offer opportunities to tap new

markets as products become

affordable to large numbers

of new buyers. Simulta-

neously, computer manufac-

turers are finding that in

spite of rising sales, competi-tion has rendered profits

ephemeral. "Why? Because a

PC is a PC. There's no differ-

entiation. So we have to

Acer is daveloping a vari-

change the business model."

ety of "application-specific"

computers (ASCs), varying

in price from US\$200 to

US\$1,000. The new products

will be cost-effective, easy to

The impetus behind the

lem of computer users who

Metal Exchange would prob-ably limit the scope for price rises. However, it said the price for lead had been strong, and its outlook "con-tinnes to be buoyant".

In the gold sector tha Goldfields group, which was formed to hold the gold intsrests of Renison Gold Fields and Pancontinental Mining, announced an after-tax profit of A\$14.1m - or A\$11.1m before abnormals. This was well below the forecast made at the time of the Pancontinental takeover,

PCs for the dedicated user

Stacks of choice: but most PCs are too complex in use, too expensive, and yet too general, Acer believes

consumer electronics

use and simple to maintain,

Mr Shih says, "The Acer phi-

losophy is very simple - take the basic PC architec-

ture, repackage lt, then lt

can be enjoyed by more

A few years from now,

computers will be more

closely tailored to fit user

needs. There may be 10 or 20

types of computers, or

"information appliances",

each designed for different

uses in the home and office.

ket of the conventional per-

The dedicated computer

will integrate different tech-

nologies such as wireless

communication, voice recognition, volce synthesis or

remote control. Acer is

launching a host of new con-

sumer-oriented products to

prepare for a more seg-

mented PC market. These

include computer games machinea, cellular tele-

phones, network software, a

wide-screen flat-panel dis-

play, CD-Roms, digital-video-

disk equipment, a video

Acer is also moving into

telecommunications, focus-

ing on data and wireless.

The company will join a bid-

ding consortium for a licence

in Taiwan'a recently liberal-

ised mobile telephone indus-

try. But the focus will

remain on equipment and

applications rather than

phone and Internet-based

products.

sonal computer.

In five to seven years, Mr

Acer's information appliances

Shih predicts, annual world-wide sales of such "dedi-blocks" for what is a natural

will integrate computer and

Goldfields also warned that its after-tax profit in 1996-7 would probably fall into the A\$20m-A\$25m range - again, well down on the A\$30m-A\$46m predicted during the Pancontinental bat-

The company said tha shortfall was largely dua to difficulties stemming from the commissioning of a plant npgrade at the Paddington mine in Western Australia.

Industry analysts say it

will not be easy to hreak into

the consumer electronics

market, going bead-to-head

with Japanesa and Korean

giants such as Sony and

Samsung. "Of course this is

an exciting growth area, but

you have tremendous inven-

tory risk and the margins are extremely thin," warns

Mr Derek Tien, an electron-

Mr Shih insists the com-

pany has not changed direc-

tion, but is rather creating

cated" computers will be extension of Acer's existing of total sales by the year 200m units, double the mar-

"Many computer compa-

nies do not have the technol-

ogy, or the manufacturing or

component capability that

we have, they are just sell-

ing the computer," said Mr Shih. "Many consumer elec-

tronic companies do not

have a base in PC technol-

ogy, which is core for these

new applications. So we

believe we should aggres-

sively look into this new

The strategy carries risks.

"Acer has to be careful that

new products do not eat up

market share for other products, especially in the US."

says Mr Boris Petersik, head

of research at BZW Securi-

ties' Taipei office. But ana-

lysts say Acer's competitive

advantages are flexibility.

speed, cost-effectiveness and

production efficiency, as

nents and peripherals.

well as its technological

Acer's debut ASC is Acer-

opportunity."

ics analyst at Barings.

revised its prediction to at the large Porgera gold A\$10m-A\$13m in April this mines in Papua New Guinea, mines in Papua New Guinea, in which it has a 25 per cent

interest Newcrest Mining, the Melbourne-based gold miner, also reported a drop in aftertax profits, to A\$20.8m com-pared with last time's A\$42.4m. This was blamed on lower production from the Telfer and Boddington gold mines, with lower head grades affecting both mines. Output slipped by about 67,000 ounces to about 582,000 ounces. In the current year, New-

Basic, a \$500 personal-cum-

network compoter with

Internet access using televi-

sion as monitor, introduced

in Taiwan in June, Acer-

Basic will be targeted at

first-time buyers in develop-

ing countries. In 1997 Acer

aims to sell Im units, half in

developing countries and half elsewhere for speci-

Pitting Acer against tradi-

tional games manufacturers

is AcerEden, an educational

and games machine with

Internet access. AcerEden will hit the market early

next year at a target price of \$499. AcerKld, a games

machine for children aged

two to six, will be released in

1997 for \$199. Acer aims to

have consumer electronics

business hring in 15 per cent

2000, when revenues are

projected to hit \$15bn. Ambi-

tious as this goal is, profits

will be even tougher to come

by. Acer is diversifying at a

time when the industry faces

rampant price-slashing, over-supply and sluggish sales.

Acer's chip business, TI-

Acer, contributed over half

of profits for the past two

years. These profits have

been wiped out. Mr Shih con-

cedes the first half of 1996

price falls will not hurt com-

petitiveness because, unlike

some competitors, building

market share takes prece-

dence. Acer ranked eighth

overall in the US market last

year, and third in the US

consumer market. What it

lacks in name Acer more

than makes up for in nimble-

ness. The trick will be to pre-

serve that agility as it stakes

out its turf in the fast-merg-

Laura Tyson

was grim, but says chip

alised uses.

crest said it expected a small increase in total ontput, to 586,000-590,000 ounces, bnt pointed out this would represent a significant increase from the Telfer mine, since the Ora Banda mine has now been sold, and would not contribute. It said the sale, plus efficiency gains at Tel-

fer, should produce some improvement in costs. The group - which tried to merge with the Normandy group earlier this year - said it was bolding its Normandy stake on the balance sheet st its A\$470.1m cost.

Lippo's founders may sell bank stake

By Marruela Saragosa in Jakarta

Concerns have arisen over whether the founding shareholders of Lippo Group, one of Indonesia's largest conglomerates, are selling their stake in the group's flagship listed company, Lippo Bank, following the announcement of a restructuring of the shareholdings of three of the group's listed companies. Yesterday's announcement comes after the founding shareholders - the

Riady family - sold 8.6 per cent of their stake in Lippo Bank in a private placement in Fehruary this year, a move which is believed to have reduced the family's stake in the bank to about

40 per cent. The sale took place after shares in Lippo Bank and the group's listed property arm, Lippoland, were hit by rumours of cash flow problems. There is speculation. however, that the Riady family aims to sell a large part of its stakes and invest the proceeds offshore in order to hedge against polit-

ical risk in Indonesia. Under the restructuring. Asuransi Lippo Lifa, an insurance company, plans to raise its stake in Lippo Bank from 4.42 per cent to 45 per cent in a deal worth Rp657.83bn (\$280m), while Lippo Securities will acquire a 27 per cent stake in Lippo Life in a deal worth Rp243.67bn, lifting its holding in the life insurance

company to 32 per cent. Officials at the group said the restructuring would create a "Rp10,000bn investment bank" with "tremendous synergies" between the three companies. In particular, it said, Lippo Securities' earnings would be boosted.

However, analysts believe the moves will effectively reduce the stake of the Riady family in Lippo Bank to nothing. Lippo Life said it would bny 40 per cent of Lippo Bank's sbares from three companies - believed to be private bolding companies for Riady family members - and from Mr Mochtar Riady himself, bead of the family.

Meanwhile, the 27 per cent stake which Lippo Securities will acquire in Lippo Life will be bought from Lippo Asia, a company which analysts say is an Indonesia-registered private holding company for the Riady family. "The private side of the group will receive Rp900bn from the sales," said a Jakarta bro-

ker. The reorganisation "does not create a financial holding company as such, in that none of the three companies consolidates figures of any of the others," said Mr William Keeling, a Jakartabased representative for Kleinwort Benson Securi-

There has also been mease that the prospectnses for rights issues at Lippo Securities and Lippo Life earlier this year did not mention that the cash raised would be used for the reorganisation. The changes are being put

before a shareholders' meeting on September 27.

NEWS DIGEST

CompuServe spin-off delayed

H&R Block, the US tax preparation and financial services company, is delaying the planned spin-off of its CompuServe online service to shareholders because of losses at the company and uncertainties in the online service industry. In April, Block sold 20 per cent of CompuServe, which is the second largest online service in the US, to the public. Shareholders were to have voted at next month's annual meeting on whether to separate the remaining 80 per cent but Block's board yesterday

withdrew that proposal from consideration.

CompuServe, reported a loss of \$17m, or 19 cents a share, before a one-off charge, in its first quarter to end-July. At that time the company said it expected to record a loss of 10 to 15 cents a share in the second

The delay comes amid a difficult time for the online industry. America Online, the largest online service in the US, earlier this month reported that subscriber growth

slowed in the fourth quarter ended June 30. Mr Jonathan Cohen, an analyst at Smith Barney, has expressed concern about the prospects for proprietary online services such as CompuServe and AOL in the face of increasing competition from companies offering direct access to the internet. Direct internet access providers are often less expensive for heavy users because many charge a flat fee rather than billing customers for the time they spend online.

Shares in H&R Block fell \$1% to \$26% in early trading esterday, while CompuServe shares, which were sold for \$30 in April, added \$1 at \$13 %.

Block said the board had not set another date for the vote but that it would closely monitor industry

Digital to float Internet arm

Digital Equipment, the US based computer group, said it would spin-off its internet division, AltaVista internet Software, in an initial public offering worth up to \$50m, Neither the number of shares to be offered, nor their, price, has yet been revealed.

Following the public offering, Digital said it would own at least 80 per cent of AltaVista's common stock and all of AltaVista's Class B shares which carry three votes per share compared with one vote per Class A share. Digital hopes to take advantage of a continuing high

level of interest by investors in internet companies to generate capital that it will use to fund product development and market its products.

Digital has developed AltaVista into a brand name that extends beyond its search engine and includes internet

software products that offer security, e-mail and intranet applications. AltaVista has also helped to showcase Digital's computer systems which use its high performance Alpha microprocessor.

Tom Foremski, San Francisco

Philip Morris raises dividend

Philip Morris, the blggest US tobacco company, yesterday rewarded investors who had stood by it thiring recent crises by raising its dividend 20 per cent, from \$1 to \$1.20 a quarter. It was the latest in a long series of big increases: the dividend has grown at a compound average annual rate of 20.4 per cent.

However, the stock was down \$% at \$91% at lunchtime yesterday after Dayton Hudson announced that its Target discount store chain, the fourth biggest in the US, would stop selling cigarettes. Dayton Hudson said the move was "strictly a business decision" caused by low margins on cigarette sales and a high rate of loss through theft. Earlier this month Philip Morris's stock price

plummeted from \$105% to \$86% after a Florida jury awarded \$750,000 in damages against Brown & Williamson Tobacco, the third biggest US tobacco company, in a lawsuit brought by a lung cancer patient. Last week President Clinton announced tough new restrictions on cigarette advertising and sales as part of a crackdown on under-age smoking. Some analysts bad thought that Philip Morris might increase its dividend by as much as 25 per cent in an attempt to lift its stock price, but some of the pressure lifted last week when the tobacco industry defeated a closely-watched lawsuit in Indiana. Richard Tomkins, New York

Fletcher profits up 5.6%

Fletcher Challenge, the New Zealand forestry and energy group, increased secood-half consolidated group profits by 5.6 per cent from NZ\$464m a year ago to NZ\$490m (US\$339m) in the year to June 30. Directors said that a decline in earnings from both pulp and paper markets was "significant". However over the year increased cash flows from energy more than offset lower earnings from the other three subsidiary companies, Forests, Paper and

During the past year the Energy, Paper and Building divisions have been spun-off on world markets. Fletcher Challenge Forests was listed in 1994. Terry Hall, Wellington

Burns Philp slumps 28%

Burns Philp, the Australian food ingredients group, yesterday announced a 28 per cent slump in after-tax profits in the year to end-June, making A\$74.8m (US\$58.8m) before abnormals, compared with A\$104.1m a

After a A\$136.6m abnormal charge - largely to cover asset writedowns and provisions and already foreshadowed to the stock market – Burns was left with a A\$61.8m loss, compared with last time's A\$115.1m profit. The company said that trading profits were 16 per cent lower, on sales of A\$2.04bn, virtually unchanged from the previous year. It admitted the results were "clearly disappointing", and said that attempts to improve efficiency - including physical consolidation of some

operations and management changes - had been made.

ASX to levy listing fee

The Australian Stock Exchange is to add a 3 per cent levy to annual listing fees in 1997 and 1998, with the estimated A\$1m raised going to fund efforts to harmonise the country's accounting standards with International Accounting Standards. Mr Richard Humphry, the ASX's managing director, said that "numerous companies" had expressed concerns about the problems of meeting different standards, and indicated "overwelming support"

TVB hurt by slower growth in advertising

By Louise Lucas in Hong Kong

TVB, the Hong Kong-based broadcasting group, yester-day reported a 5.9 per cent drop in interim net earnings from HK\$189m at the halfway stage last year to HK\$177.96m (US\$24.4m) for

the six months to June 30. The group suffered a squeeze in profit margins, and did not see the expected growth in advertising revennes - although advertising income was up on the same period last year. Around 80 per cent of TVB's profits comes from the domestic market, although management is aiming to expand its overseas operations to a level where they contribute

50 per cent of profits. The pick-up in advertising, already under way, is expected to lift TVB - as well as other media stocks - in the second half. Advertising expenditure has bottomed out in the first quarter of the year, and the markets forecast full-year net carnings at TVB of \$610m, a year-on-year rise of 25.6 per

Apart from programme licensing, the company's main source of international earnings is now its Talwan cable TV channel, which broke even in July last year and which, according to analysts, will contribute most people."
\$30m in the current year. The impet

Sir Run Run Shaw, TVB chairman, said the progress of the Taiwan channel was very encouraging. "Already hy far the most successful cable channel in Taiwan, TVBS achieved profitability within two years of launch and clearly has a bright

future," he said. Analysts have mixed feelings about TVB's other International ambitions. which include projects in India, where they will meet competition from the likes of Star TV, the pan-Asian broadcaster owned by Mr Rupert Murdoch's News Corporation. However, TVB is seen as having a cost advantage. "Star is a blt bloated, whereas TVB is probably world class in terms of lowcost production," says one

TVB's earnings per share sllpped 6.66 per cent from 45 cents to 42 cents, and the dividend is being beld flat at 20 cents.

Top Hungary hotel bought by Japanese

By Virginia Marsh in Budapest

Intercontinental, the Japanese-owned botel group, yesterday won its year-long battle to buy the Forum, one of the last topclass hotels in Hungary to be privatised.

APV, the state privatisa-tion agency, said it had agreed to sell a 95 per cent stake in the Budapest botel for \$49.1m and that Intercontinental, which already manages the Forum, had undertaken to invest \$11m in modernising the hotal and npgrading it from four to five stars within three years. Employees and management are to be offered the remaining 5 per cent.

APV's decision, after a closed tender, is the culmi-nation of several attempts to sell the Forum and the HungarHotel chain, now known as Hungaria, to which the Forum, located on the banks of the Dannbc, formerly belonged. Hungaria was last week awarded to rival chain week awarded to rival chain Danubius which offered \$53m for an 85 per cent stake, pending the approval of the competition office. Holiday Inn and Daewoo of South Korea were also invited to bid in the tender.

Optus records first full-year profit A\$1.49bn. Slower cost Mr Zygmunt Switkowski.

By Nikki Tait in Sydney

Optus Communications, the Australian telecommunications group which is looking for a stock market flotation later this year, yesterday unveiled its first full-year profit, making A\$60.3m (US\$47.5m) before tax.

In the previous 12 months, the company - formed less than five years ago to be Australia's second national telecoms carrier - produced a A\$17m loss. The improved figures, for

tha period to the end of June, reflected continued strong growth, with Optus's revenues climbing 36 per cent to A\$1.94bn. The com-

pany competes with the gov-ernment-ownad Telstra group in the long-distance market, and is one of three carriers licensed to supply mobile services.

Optus said long-distance revenues were up 34 per cent at A\$810.8m, with market share at 16 per cent. On the mobile side, service revenues were 55 per cent higher at A\$765.4m, although mobile equipment eased 7 per cent to A\$129.2m. The business network services unit, which caters for corporate and public sector customers, saw a 59 per cent revenue gain, to Total operating costs

A\$551m, and the company also has A\$372m directly invested in the Optus Vision cable joint venture to carry local telephony services for Optus. Interest charges were from A\$57m, largely to fund increased 20.3 per cent, to

growth was helped by the carrying of more calls on Optus's own network: payments to other carriers, at A8665.3m, accounted for 34 per cent of revenues, down from 40 per cent last time. Earnings before Interest. depreciation and amortisation more than doubled to A\$455.5m

strengths and ability to pro- ing computer and consumer

duce a full range of compo- electronics industries.

Capital expenditure was almost doubled at A\$102m

chief executive, said plans for a stock market float this year were on course. He said 600m-800m shares would probably be offered. About 500m would come from Mayne Nickless (which bas already said it would dispose of its 25 per cent stake), while the company would probably sell 100m-200m to raise new funds. It is still unclear what

shares - if any - will be sold by Optus's other current sbarebolders. They include the UK's Cable and Wireless. and BeliSouth of the US. Analysts have suggested the carrier could be valued at

Baht and deposited at high domestic rates, belpad Cement taking an equity stake in the carmaker's assembly operations.
Siam Cement's steel business, which accounts for 11 per cent of the company's

revenue continues to be a money loser. Mr Chumpol sald antidumping tariffs on some imported steel products introduced last week by the

carmaker - in September or That government would belp October October. the steel business "approach He said there were no a break-even point" but that talks with GM about Siam profitability for the sector would depend on a pick-up in world prices.

Daspite rising salas, ceramics and petrochemicals contributed very little to the company's bottom line, Mr Chumpol said. Nevertheless. he said, the company was on track to invest about \$2bn over the next five years on expanding petrochemical

Share price relative to the Bangkok SET index

Nikki Tait, Sudneu

Siam Cement ahead despite slow second quarter

By Ted Bardacks In Bangkok

Siam Cament, Thailand's largest industrial conglomer-ate, reported consolidated net profit for the first half of 1996 up 12 per cent on the same period last year to Bt4.54bn (\$172m).

Consolidated net profit for the second quarter rose 1.2 per cent year-on-year to Despite the sluggishness of

analysts said the results already picked up. "The fact Interest on this cash, much were better than expected, specially in the core cement business, building materials and joint ventures in elec- at their lowest position tronics and vahicle parts manufacturing. outlook for the rest of Mr Chumpol Na Lan year," Mr Chumpol said.

Lleng, president of Siam the company's basic industries, such as petrochemisecond-quarter earnings, second quarter but had than doobled to Bt11.8bn. ating to sell land to the US

net profit steady throughout a quarter when prices were makes us have a positive outlook for the rest of the Margins on consolidated

that we have maintained our

Cement, said world and sales fell to 24 per cent in regional prices for many of the first half of the year. compared with 31 per cent in the same period in 1995. cals, steel and paper, had However, net cash provided been at their worst in the by financing activities more

smooth out earnings. One-off earnings from land sales also helped keep profits up, analysts said. Mr Chumpol said ha expec-

of it borrowed cheaply from

overseas but converted to

ted Geoeral Motors to complete a deal to purchase land for its new assembly plant in Thaliand - Siam Cement is one of two companies negoti-

Fund buys into 'diabolical' Hambros

By Nicholas Denton

Regent Pacific, better known as a vulture fund bidding for distressed investment trusts, has bought 3 per cent of Hambros and put pressure on the UK merchant bank to imprave its "diabolical"

The aggressive Hong fathar Sir James, notified and fund management. Hambros yesterday about

may face

revolt on

Simpson

General Electric Company is facing a revolt by institu-

tinnal sharebulders over the

remuneration package it has awarded to Mr George Simp-

son, who takes over as man-

aging director next month.

Norwich Union said yes-

terday it was considering

voting against Mr Simpson's

appointment to the board at

GEC's annual meeting on

to the company before decid-

ing bow to vote," said Ms Anita Skipper of Norwich

Union. "On principle if we

feel that the arrangements

are not suitable we consider

voting against the appointment of directors," she said.

Four other shareholders

said privately they were

considering voting against.

The London Stock

Exchange is thought to be

examining wbether the way

in which GEC disclosed

details of Mr Slmpson's

package breached its listing

rules. Sharebolders bave

complained that documents

sent to them ahead of next

week's annual meeting

failed to mention the terms

of Mr Simpson's package.
It consists of annual

remuneration of np to £1.5m

(\$2,32m) including pension

contributions, plus a compli-

cated share option grant.

His basic pay of £600,000

Yesterday Norwich Union

and other institutional

investors said that their

main concern was that the

share price target GEC had

to meet before Mr Simpson

was able to profit from a

option scheme was not

The company said yester-

day that it could not make

cannot be reduced.

tough enough.

any comment.

We are waiting to speak

By William Lewis

September 6.

GEC

the stake and called for a ised Hambros' "beautifully said Regent Pacific was too bank's strategy.

"Hambros appears to us to be an undervalued and undermanaged enterprise," said Mr Mellon. "Over the last 10 years, these shares have been diabolical."

Mr Mellon said Hambros needed to shift its capital Kong-based investor, run by towards more lucrative areas Mr Jim Mellon and bis such as corporate finance Regent Pacific also critic-

By Christopher Price

WH Smith, the high street

retailer, yesterday reported its first loss in 204 years of

trading as it mada large pro-

visions for restructuring and

on the sale of non-core busi-

been undergoing a rational-isation initiated by new chief

executive Mr Bill Cockburn,

announced annual pre-tax loeses of £194.7m (\$302m)

against profits of £100.9m for

the 53 weeks to June 1, 1995.

Turnover rose 5 per cent to £2.83bn. Pre-tax profits from continuing operations fell 14

Mr Cockburn said the

results were "clearly inade-

quate" but improvements

should start to show this

year. "We are only in the foothills and have a moun-

tain to climb; it could take

three or four years before we

suffered a downturn across a

RESULTS

realise our real potential."

per cent to £98.8m.

The company, which has

Provisions put

£195m into loss

WH Smith

meeting to discuse the decorated" board, which includes the Hon Edward Adeane, former private secretary to the Prince of Wales, and Lord Kingsdown, former governor of the Bank of England.

Sir Chips Keswick, Hambros chief executive, said: "If he wants to be gratuitously rude to people be has never met, that is his business.

range of businasses. Mr

Cockburn, formerly chief

executive of the Post Office,

was brought in at the start

of the year to rejuvenate the

retailer.
Of the losses, £161.5m

related to goodwill write-

offs, chiefly on the Do It All

home improvement chain,

which was soid at a loss to

Boots, WH Smith's partner

A further £132m has been set aside for exceptional

items, such as stock write-

offs and redundancies -

1,000 jobs have been cnt

from 34,000. Costs bad been

reduced by 6 per cent as a

result of the rationalisation.

Wholesaling also incurred

in the venture.

People close to the bank

late because Hambros, one of the last independent UK merchant banks, this year in the former Soviet Union concluded a review and decided to ecale back its unprofitable lending. Mr Mellon owns about 25

per cent of Regent Pacific and other managers about 16 per cent. Institutions such as Equitable Life, Tokyo Marine & Fire, Daewoo, Nomura and Harvard University own the remainder.

Regent Pacific has built up a fund management business and only came to the attention of the City of London with its hostile bid for GT Chile, a distressed invest ment trust.

A fund managed by Regent Pacific also triggered the current battle for control of Kepit, the underperforming privatisation fund set up by Kleinwort Benson.



reorganisation coets and margins were squeezed following the renegotiation of some contracts. Profits fell 9

The UK retail side, mainly the 549 high street stores, per cent to £27.9m. Watarstone'e, the book retailer, lifted profits 47 per experienced a 27 per cent fall from the restructuring in operating profits, largely as a result of reorganising the head office and the distribution system. Turnover rose 2 per cent to £926.9m. Book sales were 7 per cent higher and largely offset any WH Smith issued two prof- cut in prices from the end of Its warnings last year as it the Net Book Agreement.

edged up to £14.3m. New contracts had recently been won at a large Las Vegas hotel, as well as Atlanta and

chain, declined 37 per cent to £4.8m, hit by out-of-town discount stores, mail order operators and a lacklustre record market. Mr Cockburn predicted a "big shake-out" for the sector but said: "We would be mad to sell at this

Bill Cockburn, left, with Jeremy Hardie, chairman

cent to £12.8m. WH Smith intends to add 26 stores to its existing 100 over the next three years. The Virgin Our Price music stores raised profits 41 per cent to £16m. In the US retail business, which is concentrated in airports and botels, profits time."

Las Vegas airports.
Profits at The Wall, the US
shopping mall-based music

									· Dividends ·		
	Тыров	er (Em)		n-tuck It (1210)		S (p)	Current payment (p)	Pate of payment	Corresponding dividend	Total for year	Total last year
Beales Hunter	58.4	(52,3)	3.26	(0.953LA)	21,8	(4.5L)	7.8	Oct 1	7.45	10.7	10.2
Belcardo 💠 6 mths to June 30	1.46	(2.14)	0.984	(0.906)	9.53	(8.61)	11	-	-		
Cortworth 6 mins to June 30	34.9	(38.6)	4.96	(2.29)	7.11	(0.355)	21	Oct 10	-	-	-
CrestaCare 6 miles to June 30 x	22.8	(21)	2.62	(2.59)	. 1	11)	0.3	Nov 4	0.29	-	0.88
Dommick Hunter 8 miles to June 30	25.7	(21,7')	4.22	(3.41)	8.35	(6.93)	2.88	Oct 18 -	2.4	• .	. 6
6ibbs & Dandy 6 miles to June 30	14.2	(13.4)	0.502	(0.478)	4.3	(42)	1.5	Oct 14	1.4	-	3.5
Guitaness Post 6 miles to June 30	41.2	(a.0E)	11.2	(6.87 9)	1.23	(1.02)					0.2
Intelek Yr to April 30	27.2	(18.4)	1,16	(0,604♥)	1.681	(0.79	0.6	Oct 10	0.5	0.9	0.75
Johnston Press 6 miles to June 30	55.7	(49,5)	12.6♥	(8.124)	6.62	(4.05)	0.75†	Nov 6	0.75		2.25
Kalon 6 mths to June 30	276.6	(114.6)	19.6	(11.6)	3.71	(4,68)	1.7	Oct 9	1.6		4.8
Polymase Pharm \$\Phi\$ 11 miles to June 30		(-)	0.5081	(6)	41	. (-)	7.4	- Com - C	1.04	_	
Provident Financial _ 6 miles to June 30	209.7	(219.6)	. 47.5	(41.1)	11.77	110.25	6.5	Nov 1	5.5*		144
Smith (WH)Yr to June 1	2.828	(2,689	194.71.4	(100.94)	71.AL	(23.9)	10.4	Oct 17	10.4	15.65	15.65
Stower Yr to May 31	63	(48.9)	4,28	(3.01)	14.2	(14,2#)	3.5	Oct 16	10.4	5.2	15.05
Surrey Free lans 4 Yr to May 31	12.61	(11.5)	1.19	(0.813)	11.8	(8.4)	1.25	Nov 29	i	2.25	1.8
Investment Trusts	MAT	(p)		optable ga (Em)	EP	S (p)_	Current payment (p)	Date of payment	Consesponding dividend	Total for	Total best
Eaglet	137.92	(107.85)	0.346	(0.466)	1.21	(1.63)	1.5	Dct 30	1.5	1.5	1.5
Jos Yr bi July 31	259.61	(239.33)	0.826	(0.826)	12.79	(12.78)	3.61	Oct 14	4.675	13.6	13,525

FKI to acquire Marelli If presiding over WH Motori

By Tim Burt

FKI, the engineering group, yesterday said it was buying Nuova Marelli Motori, the Italian motors and alternator manufacturer, for a total of L123bu (\$81m) and hinted at further bolt-ons in the coming weeks.

The company, which earlier this summer suggested it could spend up to £300m on acquisitions, pointed to further deals in the automotive components and material handling sectors. Mr Eric Bowers, finance

director, said Marelli was one of five possible targets that FKI had been stalking. After six months of talks, the UK group has agreed to pay L81.8bn in cash for the business - owned by US investment funds Mutual Discovery and Wexford Management LLC - while assuming its L41.2bn debts.

Mr Bowers said the deal would be funded from FKI's £120m multi-currency loan facility and predicted it would be earnings enhancing from the outset.

The Italian company last year reported underlying operating profits of L14bn on sales of L132.7bn, with

net assets put at L39.2bn.
On completion, the acquisition should leave FKI with net borrowings of £30m to give relatively modest gear-

ing of about 10 per cent.

Marelli will be integrated into FKI's engineering division, which contributed £15.6m to operating profits of £95.8m in the year to March 31.

Its cuetomers include makers of fork lift truck and industrial pumps, although FKI said no single customer represented more than 10 per cent of its turnover.

The UK group plans to distribute Marelli's low voltage electric motors and alternators through its existing international dealer net-work, while using the company's Italian outlets to promote products made by FKI's Laurence Scott motors subsidiary.

Mr Bowers said the two companies were complemen-tary and there was little need for a large-scale restructuring to avoid areas of overlap. "Marelli is an excellent addition to our also strengthen significantly FKI's presence in southern Europe.

FKI sbares fell 1%p to 186p in thin trading.

LEX COMMENT

120

Smith's first loss in 204
years was a humbling
task, Mr Bill Cockburn at
ft-SE-A General Flotations index least had the consolation that investors have faith in his initiatives. Since taking over in January, he has engineered a radical restructuring and been rewarded with a 20 per cent rise in the share price. With a new struc-

ture in place, Mr Cockburn must now show that it can deliver. The kay is whether he can boost performance at the core high street retail business. Cutting the number of product lines and improving relations

with suppliers augur well. But the main challenge is to convert browsers into spenders. Nearly 40 per cent of people entering the store fail to spend any money.

There are two risks to the recovery scenario. In the short term, a dearth of good music and video releases could hit profits. Further out, sceptics argue that the generalist high street retailer has no future. This seems

1994

too pessimistic. The gap between specialist stores and supermarkets is too wida to be left unoccupied. Most shoppers still consider WH Smith a core element of the On a forward multiple of about 17, a premium to the

market of 20 per cent, it is not easy to recommend the shares. This is no more than the sector average, but investors should wait for signs that good strategy is translating into better profits rather than taking Mr Cock-

Hanson unveils demerger terms

By Ross Tieman

Hanson is to set up low-cost dealing facilities for small investors who want to sell their stakes in Millennium Chemicals or Imperial Tobacco Group after the demerger in October.

The airangements are designed to facilitate a wideranging reshuffle of sbare ownership that is expected to ensue from the four-way demerger of what was once Britain's most acquisitive conglomerate.

Listing particulars for Mil-lennium and Imperial, published yesterday, give the first break-down of demerger

Hanson shareholders will receive one Imperial share for every 10 Hanson shares they own, and one Millen-nium share for every 70, American investors will get one American Depository Share (ADS) in Imperial for ery lour Aus

own in Hanson, and one Mil-

lennium ADS for every 14 in

Hanson. Low-cost dealing for those wanting to sell or add to 161p.

their holdings will be available for 60 days to investors who receive fewer than 700 Imperial shares or 100 Miilennium shares.

Because Millennium is to be based in Delaware, and listed in New York, many British investors are expec-ted to sell. Many US investors are also expected to dispose of their holdings in Imperial, Britain's secondbiggest cigarette company. In an effort to stem the flow, Imperial shares will be traded in American Depository Receipt form, as well as in London.

Share register instability is likely to be compounded by the reduction in dividend pay-outs. The demerged companies will retain more earnings to invest in their businesses in a drive to accelerate growth. Imperial yesterday indi-cated that it plans a "pro-

gressive" dividend policy. will pay a quarterly cash dividend of 60c, starting in the first quarter of 1997. Hanson shares eased 1p to

The state of the latest dealers and the lates

fortis AG

Notice of the Extraordinary General Meeting to be held on Monday, 16 September 1996

As the quorum required by law cannot be attained, taking into account the number of shares deposited and the number of intentions expressed of taking part in the Extraordinary General Meeting of shareholders called for 30 August 1996, this meeting will not be able to deliberate and decide validly on the items contained in its agenda. A second Extraordinary General Meeting must there

the Extraordinary General Meeting will be held on Monday, 16 September 1996, at 11100 a.m., at rue du Pont Neuf, 17, 1000 Brussels Belgium.

- Buyer's option granted by Fortis AG to Fortis AMEV
 Amendments of the Articles of Association
- Acquisition and disposal of own share
- mendment of the date of the holding of the General Meet

To take part in the meeting, shareholders must conform with the provisions of Articles 22 and 23 of the Articles of Association:

Owners of beater shares are requested to deposit their shares at the company's registered office or at one of the banks mentioned below, no later than Wednesday, 11 Septem Owners of registered shares, as well as owners of bearer shares which have already been deposited at tion to take part in the meeting.

Shareholders withing to be represented by other persons at the meeting are invited to use the proxy form (which does not constitute a "proxy request" or "public solicitation" within the meaning of Article 74 paragraph 2, sub-paragraph 2, and paragraph 3 of the coordinated laws governing commercial companies] which may be obtained upon simple request at the company's registered office. Every proxy trust reach the company's registered office as soon as possible, and no later than Monday, 9 Sept

The following documents are also available to shareholders at the registered office and at the paying agent in the UK:

the special report of the Board of Directors drawn up in accordance with Article 33his of the coordinated laws governing commercial compa a comparative table giving the present version of the Articles of Association together with the

a copy of this notice with the detailed text of the proposed modifications For further information, please contact Group Communication, at telephone number \$2 (0)2 220 9349.

Brusscla, 28 August 1996 The Board of Directors

BARCLAYS BANK Angel Court 8 London ECR 7HT United Kingdom

Bd Emile Jacqmain, 53 1000 Bruxelles - Belgium Trade Register no 1811

POUR PROPERTY OF THE PROPERTY period pe

BankAmerica Corporation U.S. \$500,600,000 For the period from 28th August, 1996 to 20th November, 1996, the Notes will carry an interest rate of 5.875% per atoms with an interest amount of U.S. 5758.85 per U.S. \$30,000 periodipal amount of Notes payable on 29th November, 1996.

JOHNNIES INDUSTRIAL CORPORATION LIMITED (Incorporated in the Republic of South Africa - Reg. Nn. 01/00429/06)

Highlights from the Audited Results for the year ended 30 June 1996

HEADLINE EARNINGS PER SHARE INCREASE BY 42% NET ASSET VALUE PER SHARE UP 41%

	Year ended 30.6.96	Year ended 30.6.95
	Rm	Rm
Profit before texation	126.0	243,2
Attributable earnings	123.6	236.5
Share of retained earnings of associated companies	365.9	109.9
Equity accounted earnings	489.5	346.4
Earnings per share (cents)		
- Headline earnings - Equity accounted earnings	287 326	202 233

Capitalisation shares have been awarded to shareholders registered at the cluse of business on 13 September 1996. Shareholders may, in respect of all or part of their shareholding, elect instead to receive a final dividend of 72 cents per share. Shareholders making this election will then be given the opportunity to use the dividend to subscribe for

Documentation, which is subject to the approval of The Johannesburg Stock Exchange, containing full details of the right of election will be posted to shareholders on or about

29 August 1996

The full text of the audited results will be posted to shareholders and copies can be obtained from the London Secretaries, JCI (London) Limited, 6 St James's Place, Lundon SWIA INP. Clive Cookson examines the latest scientific claims that a way to fend off old age has been found

In search of eternal youth



First Unit

the reer ter

that whenever scientists discover a gane that may affect the ageing process, people are seen to acclaim it as a Methuselah gene which

- 1

holds the key to eternal life. Several such genes have been identified this year, from one that causes a rapid ageing disease called Werner's Syndrome to "clock gene" that extends the life of worms by a factor of five.

There is also increasing hype about telomeres - etretches of DNA at the end of chromosomes that wear away as cells divide. Enthusiasts claim that a technique to prevent telomere erosion could enable people to live for hundreds of years.

More realistic specialists on ageing say the whole process is too complex for a simple genetic prescription for longevity ever to be found. Hundreds or thousands of genes work together to determine how long people live.

There is no single mechanism of ageing, no single switch that we could find to extend lifespan," says Tom Kirkwood, professor of biological gerontology at Man-

chester University. Rudolph Tanzi, director of genetics and ageing research at Massachusetts General Hospital, agrees; "There is no Methuselah gene. But the discovery of a gene such as the one for Werner's Syndrome is enormously useful for giving us models for a whole

in the young field of ageing genetics, each specialist has his own way of making sense of the complexity. George Martin of the University of Washington, Seattle, distinguishes two types of acting mutations - not related to genetic action involved in ageing: private" mechanisms that result In rare mutations affecting a small number of individuals, and "public" mechanisms that influence the general areing process.

pens because the process of natural selection attaches little importance to the events that occur late in the lifespan," he says. "Biological organisms - our bod-ies - are under strong pressure

to use their resources in the most cost-effective way, attaching greater priority to activities such as reproduction and investing only limited resources in the continuing maintenance of the body or eoma,'

According to Kirkwood'e "disposable soma" theory, ageing reprecents accumulated damage from the failure of genes that control maintenance functions, such as protecting cells from oxidants and repairing damaged DNA. From the evolutionary perspective, it is disadvantageous to increase maintenance beyond a level sufficient to keep the organism in good shape through its natural life expectancy in the

People should not pin too much hope on a genetic cure for ageing

Another conclusion is that ageing is not regulated or programmed in the same way as the processes of early life. Kirkwood is therefore suspicious of theories that propose a role for clock-type genes in truncating life.

Kirkwood's maintenance or stress-response" genes can perhaps be equated with Martin's "public" mechanisms acting across the whole species. In addition, Kirkwood says, there are a large number of deleterious latemaintenance - which normally take effect at an advanced age when the vast majority of organisms would have died for other reasons in the wild.

Scientists do not yet know

Darwin Molecular, a Seattlebased biotechnology company. and the Seattle Veterans Administration Medical Centre - repre-sents a private or public mechanism. Patients with the syndrome begin to show signs of premature ageing, such as greying hair and wrinkling skin, in their 20s; they suffer diseases of old age such as cancer and brittle bones in their 30s; and most are dead by 50.

The gene produces an enzyme called a helicase, which unwinds the twin strands of the DNA douhle helix. Its role may be to repair damaged genes. "This sup-ports the general idea that the accumulation of DNA damage is important in ageing but it does not necessarily mean that the Werner's gene itself is important," Kirkwood says.

Darwin is working to identify medical targets relating to the Werner's gene.

Tanzi, however, helieves the most useful route to drugs that could extend healthy human lifespans by 10 - 20 years is to concentrate on the way cells process proteins in the cytoplasm - the main body of the cell - rather than on DNA metaholism in the pucleus.

"If you think of the cell as a protein factory, debris on the conveyor belt - caused by improper protein processing can make the whole thing break down," he says, "We are looking at the genes that control the folding of proteins and make sure the proteins go to the right places." Much of the excitement about

ageing genes comes from studying nematodes. In these primitive worms, a small number of genes control the whole biological timetable, and scientists at McGill University in Montreal have produced mutant nematodes in which metabolism occurs so slowly that they live five times longer than their wild counterparts (for 30 days rather than

But it is not known whether Kirkwood's starting point is whether the celebrated Werner's similar genes exist in bumans, let



No one has lived as long as Jeenne Calment, 121 this Februar,

manipulated and, if so, what a slowed-down life would feel like. Perhaps 140 years at half-pace would amount to no more, in terms of life experience, than a normal 70 years. In that case, why live longer?

Another approach - which has inspired the most extravagant enthusiasm about extending lifetimes - focuses on telomeres. These stretches of DNA exist at the end of each of the 23 chromosomes which contain all human genes; they act as safety caps to protect the chromosomes from damage. Telomeres become shorter every time a cell divides, and when they reach a certain critical length, the cell becomes senescept. It can no longer divide and may even have a harmful

effect on neighbouring cells. An enzyme, telomerase, which is active in cancer cells and in developing embryos, adds new DNA to telomeres and prevents their shortening. Geron, a Californian hiotechnology company, is leading the research effort to use telomerase to extend the lifetime of cells - and eventually whole organisms

But, as with the nematode clock genes, a big leap of faith is required to travel from laboratory experiments to speculation evolutionary biology. "Evolution Syndrome gene - identified ear- alone whether they could be about extending human life race, geography and disease.

through telomerase. Critics point out, for example, that the treatment might increase the risk of unwanted cell proliferation - cancer. And, Kirkwood says, telomerase could not be a complete answer because it would not affect non-dividing cells, such as those in tha brain and muscles, which also suffer the effects

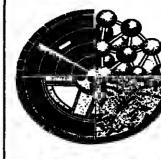
Yet another approach is to look for genetic differences between very old people and the general population, using gene databases. For example, researchers at the Centre d'Etude du Polymorphisme Humain in Paris are analysing the genes of French centenarians.

People should not pin too much hope on a genetic cure for ageing, ecientists warn. In modern western societies, inheritance accounts for only 20 per cent of longevity; environmental factors such as diet and lifestyle are much more important.

There is a reasonable prospect that many people born in the industrialised world this year will live to celebrate 2100. But none will achieve Methuselah's biblical lifespan of 969 years.

The series on hunan genes continues next month with a look at

Worth Watching · Vanessa Houlder



Milestone in race for a cancer cure

TIS scientists may have reached a milestone in cancer research, following the completion of a clinical trial that used gene therapy to treat lung cancer.

The trial involved nine nationts with advanced lung cancer which had failed to respond to conventions treatments. Although all the patients died, the treatment resulted in a significant destruction of the tumour in three patients and a stabilisation of the tumour in three others.

The researchers set out to replace faulty p53 tumour suppressor genes, which are responsible for about half of all cancers. Normal p53 tumor suppressor genes - crucial in the self-destruction of damaged cells - were injected into the patients' lung tumours using a carrier known as a retroviral

The research, which will be reported in September's issue of Nature Medicine, was led by the University of Texas M D Anderson Cancer Center. An accompanying

commentary in Nature Medicine said the therapy had been proved in principle and could be given at a very early stage of hung cancer. Mutations of p53 genes are common in many cancers, suggesting that p53 gene therapy "may prove effective in the treatment of many cancers".

University of Texas M D Anderson Concer Center: US, tel 713 792 0655; fax 713 794 4418.

Germans raise the heat for ceramics

German scientists have synthesised a ceramic that can resist beat of up to 2,000°C. The new ceramic, which was developed by scientists at the

Technische Hochschule in Darmstadt and colleagues at the Max-Planck-Institut, may have potential for uses in power generation and in mechanical and chemical engineering, according to

The ceramic is made from a polymer that at high composite of silicon carbide. silicon nitride and boron nitride. Previously, the highest temperature at which silicon nitride-containing ceramics could be used was 1,500°C.

Technische Hochschule Darmstadt: Germany, tel 6151 813242; fax 6151 813240.

It's good to talk to vour car phone

Even with hands-free car phones, drivers usually have to punch in the number that they want to dial. Now a voice-activated dialling system has been designed that will allow drivers to make a telephone call without taking their hands off the wheel.

Vocalis, a UK voice recognition company, has designed a system that can be programmed with up to 50 numbers. It antomatically dials the number needed in response

to spoken instructions. The system is also designed for people with disabilities that make it difficult to use

conventional phones. Vocalis: UK, tel (0)1223 846177. fax (0)1223 846177.

A security blanket for ladders

Every year, thousands of accidents are caused by ladders slipping or falling over. But ladders could be made more secure simply by providing additional supports, according to Ankalad, a Huntingdon-based company. It has designed aluminium struts that are attached to the middle

of the ladder and unfold to

861870; fax (0)1480 861760.

make a triangular base. As well as making the ladder afer, it reduces the pressure a the top of the ladder, making it possible to lean it against gutters. The Ankalad, which weighs 3.6kg, can fit any wood or aluminium ladder. It costs £65 plus value added tax. Ankalad: UK. tel (0)1480

Interim dividend



nen nv, with the approve pervisory Board, has decided to distribute an interim divide for the 1996 financial year of NLG 0.32 in cash per ordinary share of

ordinary shares. NLG 0.32 will be payable or from September 11, 1996 per depositery receipt for one ordinary share of NLG 2.00, being the interim dividend less 25% dividend tax, at the offices of ABN AMRO Bank N.V., MeesPlerson N.V., Internationale Nederlanden Groep N.V. and Kempon & Co. N V., in Amsterdam, the Natherlands. Holders of CF dapository receipts will receive their dividend through

the institutions at which the dividend sheets of their depositary receipts were deposited at the close of butiness at August 29, 1996. Copies of the interim statement can be obtained from the cor (PO. Box 410, NL-1160 AK Amstelveen).

Amsterdam, August 28, 1996

MARGINED CURRENCY DEALING



m Limited liability guarantee

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Belgium 0800 71959 Finland 0800 49129016 Greece 00800 49129016 Italy 1676 70975 Partugat 0505 493561 Sweden 02079 1071

GT INVESTMENT FUND crété d'Investissement à Capital Ve and Orice: 2, boulevant Royal, Lu-R.C. Luxembouro B-7443 that as of 25th

GT US SMALL COMPANIES FUND Société d'investesement à Capital Veribble Registered Office: 2, boulevard Royal, Lunembourg E.C. Lucembourd P-25178 B C_Lieumbourd B-G-1/R

et dat as of 25th August 1996 the deadine for lodge
of redemptions of shares with the Fund in Luxambourg, to
gent in Hong Kong or the Sale and Repurchase Agent
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FIRST HALF 1996 FINANCIAL RESULTS

CONSOLIDATED BALANCE SHEET	(022	million)
(AT 30 JUNE 1996)	30 June 1996	30 June 1995
ASSETS		
Liquid funds	268	228
Marketable securities	2,219	2,158
Placements with banks and other financial institutions	6,817	6,434
Loans and advances	10,922	10,658
Interest receivable	376	316
Investments in associates	80	81
Other investments	104	114
Other assets	286	293
Premises and equipment	445	455
• •	21,517	20,737
LIABILITIES		
Deposits from customers	9,455	9,760
Deposits from banks and other financial institutions	8,068	7,347
Certificates of deposit	260	203
Interest payable	317	267
Other liabilities	301	419
Minority interests	<u> 272</u>	<u> 260</u>
	18,673	18,256
TERM NOTES, BONDS AND OTHER TERM FINANCING	1,250	994
SHAREHOLDERS' FUNDS		
Share capital	1,000	1,000
Treasury stock	(75)	(71)
Reserves & retained earnings	608	491
Current period's profit	<u>61</u>	<u>67</u>
	<u>1,594</u>	<u>1,487</u>
	21,517	20,737

CONSOLIDATED INCOME STATEMENT	(US\$	million)
(6 MONTH PERIOD TO 30 JUNE 1996)	Jan-June 1996	Jan-June 1995
INCOME FROM OPERATIONS		
Net interest income	196	1 94
Other operating income	<u> 128</u>	<u> 136</u>
TOTAL INCOME	324	330
Operating expenses	<u>(207)</u>	<u>(197)</u>
OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS	117	133
Loan loss provisions	<u>(14)</u>	<u>(29)</u>
PROFIT BEFORE TAXATION AND MINORITY INTERESTS	103	104
Taxation on foreign operations	(27)	(24)
Minority interests in subsidiaries	<u>(15</u>)	<u>(13)</u>
NET PROFIT FOR THE PERIOD	61	67
	(6 MONTH PERIOD TO 30 JUNE 1996) INCOME FROM OPERATIONS Net interest income Other operating income TOTAL INCOME Operating expenses OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS Loan loss provisions PROFIT BEFORE TAXATION AND MINORITY INTERESTS Taxation on foreign operations Minority interests in subsidiaries	(6 MONTH PERIOD TO 30 JUNE 1996) INCOME FROM OPERATIONS Net interest income 196 Other operating income 128 TOTAL INCOME 324 Operating expenses (207) OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS 117 Loan loss provisions (14) PROFIT BEFORE TAXATION AND MINORITY INTERESTS 103 Taxation on foreign operations (27) Minority interests in subsidiaries (15)

ABAS BANKING CORPORATION [B.S.C.]

ABC Tower, Diplontanc Area, P.O. Box 5698, Manama, Eahrain

Strong demand at auction buoys UK gilts

By Samer Iskandar in London and Lisa Bransten in New York

Uncertainty linked to the forthcoming budget season continued to weigh on European bonds, with the added risk of social unrest affecting

French OATs in particular. In the UK, a successful auction reinforced the view that gilts' relative isolation had increased their appeal as a defensive investment. The Japanese market showed the best performance of the day after the release of bullish data, while US Treasuries traded in a narrow range ahead of the auction of \$12.5bn in five-year ootes.

■ UK gilts were buoyed by Although the unstable etronger than expected international environment demand at yesterday's auction of £2.5bn of 10-year

sioo in higher at 107 i. Bids domestic outlook - improvfor the 7½ per cent bonds due 2006 totalled £6.7bn, or 2.69 times the amount on offer, allowing the Bank of England to place 93 per cent of the total at the lowest yield and leaving a tail of only one basis point.

Mr Kevin Adams, gilts strategist at BZW, said market conditions ahead of the auction were favourable. "The yield curve between five and 10 years was at the steepest level seen this year, a strong incentive to move out to longer maturities," he said, and 10-year gilts looked cheap against other European bonds, with a yield spread over bunds "in the

high 160s". has been capping gilts performance for several weeks, stock. Liffe's September long Mr Adams said sterling's sta-gilt future ended a quiet ses-bility and a favourable

inflation - could attract flows from the French and Italian markets.

French bonds continued to suffer from fears of social unrest next month. In an

GOVERNMENT BONDS

opinion poll published yesterday 77 per cent of respondents were expecting tough strike action next month.

The Matif's September notional contract fell 0.16 to close at 122.96 and the Sep-tember Pibor future closed consecutive bearish sessions the contract has reversed the 0.30 point boost it was Bundesbank's rate cut. The release of data show-

ing growth with subdued tion had fellen by 0.5 per cent in the year to June contributed to the franc's weak- more than just a blip in the US Treasury prices were ness on the foreign exchange recovery; it might presage market, adding to the pressure on bonds. The franc fell to a low of around FFr3.43 egainst the D-Mark, from FFr3.421 Tuesday afternoon.

Japanese bonds took beart

from the release of a tankan survey depicting a very weak economy, which led most observers to dismiss the chances of a rise in interest rates this year. Some economists even argued that the authorities might have to wait up to a year before tightening monetary policy. The tankan diffusion index, which measures Japareflected despening pessi-

minus 7 points, down from

ing that industrial produc- minus 3 in May. Mr Peter Wilson of Tokyo Mitsubishi International said "this is another double dip (in economic activity]".

The December futures contract on 10-year JGBe jumped 1.14 in Tokyo to close at 120.39, then reached 120.47 in London trading, up more than 3.5 points since mid-July. Although the sixweek rally is likely to prompt some profit-taking, Mr Wilson believes JGBs still have some scope to rise.

Traders are now waiting for the release tomorrow of industrial production data for July. The government has forecast a rise of 4.2 per cent, against market expecnese firms' business outlook, tations of around 3.4 per cent. Tokyo Mitsubishi does mism among large manufac-not rule out a figure of less turers. The index stood at than 3 per cent. "The news [on economic activity] could

get worse before it starts get-ting better", said Mr Wilson.

nearly flat in early trading as traders prepared for an afternoon auction of fiveyear notes. Near midday the benchmark 30-year Tressury was a lower at 974 to yield 6.972 per cent, while the twoyear note was up & at 992. yielding 6.159 per cent. The September 30-year bond future added & to 109.

The yield curve that maps the spread between two-year notes and the long bond flattened by one basis point to 81 basis points.

Tuesday'e auction of \$18.75bn in two-year notes met disappointing demand and traders were uncertain of prospects for yesterday's sale of \$12.5bn in five-year notes. The existing five-year note was down at 100% to yield 6.540 per cent.

Specialised loans back £200m deal

By Richard Lapper, Capital Markets Editor

Specialised consumsr and commercial loans are to be securitised as part of a \$200m deal allowing Electra Fleming to take control of Premium Credit, an instalment finance company, from HSBC, the banking group. Vendcrown, a new com-

pany formed by Electra, is borrowing the funds from Thames Asset Global Securitisation No 1 (TAGS), e financing vehicle sponsored and administered by Nat-West Markets.

Vendcrown will also use the money to expand Premium's business, which centres on loans allowing individuals and businssses to pay insurancs premiums in instalments.

The deal is the first time securitisation has been used to generate funds for a private equity acquisition in Europe. Announced earlier this week the securitisation highlights the growing popularity of the technique on

the continent. Securitisation, which is highly developed in the US, allows financial institutions or companies to remove

diversifying their funding sources. In this case, TAGS, one of a handful of specialist securitisation vehicles set up by European banks, raised the money for the loan on the US commercial paper

market. The loan is secured against repayments on Premium's receivables and because of the nature of this underlying transaction, the commercial paper issued by TAGS carries a high credit rating from leading international rating agencies, allowing it to reduce funding

Formed in January 1995. TAGS now has more than \$1bn in commercial paper outstanding backed by a range of assets including residential and commercial property loans and computer

Electra invested a total of £21.5m in equity and loan stock to obtain an effective controlling stake in Vend.

HSBC was paid £40.3m for the business and has retained a 19.9 per cent equity stake. Some of ths funds were used to refinance existing bank facilities, leaving a significant amount to assets from their balance finance the continued sheets, freeing capital and growth of the business.

World Bank jumbo targets Japanese retail investors

The eurobond market witnessed a surge of activity yesterday, topped by a jumbo \$10n three-year offering for the World Bank very late in the day. Arranged by Yamaichi International, the issue was targeted at Japa-

nese retail investors. Mr Hakan Lonaeus, chief financial operations officer at the World Bank, said Japanese retail investors "have picked up a sizeable chunk of our debt - last year they bought about a quarter of the \$10bo we raised. With this deal, we may even improve on those numbers

in the current fiscal year." Given that the bonds yield significantly less than US Treasuries - this issue offers

Proc to Pillonia Vision 1488. Tot. 2001 127 1888. Tot. 2001 127 1888. Sheet 2002 1888. Tot. 2003 1888. 119 pt. 2003 1888. 119 pt. 2003 1888. 119 pt. 2004 1888. Commission 31 pt. 2004 1888. Com 8 hy pt. 2004 1888. Com 8 hy pt. 2005 1888. Com 8 hy

advantageous funding to the borrower. While such sub-

INTERNATIONAL BONDS

Treasuries yields may not be attractive to investors, some observers argue that distribution costs of US government bonds to Japanese retail buyers are so high that they still obtain a vield pick-up by buying bonds like the World Bank'e.

Elsewhere, the European Investment Bank issued £250m of four-year bonds priced to yield 3 basis points over gilts, the same spread

whereas the World Bank'e ing bonds due 2000 currently global bonds usually yield trade. Lead manager BZW well over US government reported some ewitching bonds, such deals offer from other four-year bonds from other four-year bonds yielding less than gilts, as well as buying by investors in Germany, Switzerland

and the Benelux countries. Bayerische Hypo, the Bavarian bank, launched £100m of three-year bonds yielding 27 basis points over gilts. The deal was aimed at continental European retail buyers, said lead manager HSBC Markets. "There hasn't been a three-year issue since June, so there was good demand," it said.

Scott Petzer Financial Group, a financial services firm owned by Berkehire Hathaway, made a successful eurobond debnt with \$100m of five-year bonds via around 30 basis points less - at which the EIB's outstand. Salomon Brothers. Due to

- 113월 194일 다음 22% 75% - 103일 183일 다음 194월 183일 다음 194월 183일 다음 194일 130일 다음 194일 130일 다음 194일 130일

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Final terms, non-calishie unless stated. Yield spread (over relevant povernment bond) at taunch supplied by lead member.
**UnResed. Sconwertble, @With equity warrants. R: fixed re-offer price; free shown at re-offer level, at Ploting; around 12/6/
96. Conventible into Tipoo foreign board shares at 10-15% premium over domestic share price. Callable after 2 yrs, subject to 140% hundle, at pair, Pudable in 5 yrs to yield Treasuries +110-180bp. Greenshoot S10m. b) Fiding: 3/8/96. Fit: 90.829//
SFr. Warrants to Surritomo Coal Mining. c) 5%% to 15/10/98, then 8%. I) Long 1st coupon. a) Short 1st coupon.

Up to 5 years (22) 5-15 years (20) Over 15 years (8) Irredeemables (8)

Berkshire's guarantee, the bonds are rated Aal/AAA, and saw good demand from European as well as middle eastern investors.

The D-Mark sector was year paper for Japan very active, mainly with Finance Corp for Small Business; and DM250m of retail-targeted deals: DM500m of five-year bonds four-year paper for Bank for BNG; DM350m of three-Austria.

Day's Tue change % Aug 27

121.58 147.83

0.07

FT-ACTUARIES FIXED INTEREST INDICES

Wed Aug 28

121.86

TAG Heuer may float

- Low coupon yield - Medium coupon yield - High coupon yield -Aug 28 Aug 27 Yr. ago Aug 28 Aug 27 Yr. ago Aug 28 Aug 27 Yr. ago

7.18 7.15 7.68 7.25 7.26 7.67 7.30 8.14 8.11 8.13 8.14 8.12 9.16 8.16 8.26 8.20 8.16 8.23 8.22 8.16 8.26 8.32 8.26 8.23

By Richard Lapper

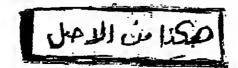
TAG Heuer International, the Swiss watch manufacturer, yesterday announced its intention to examine a "possible flotation". If an international share issue goes ahead, the company would be the latest of a line of luxury and prestige goods makers to come to the equity markets, following such names as Gucci and LMVH. Salomon Brothers and

SBC Warburg have been appointed to advise the company on its options. TAG Heuer specialises in the design, production and marketing of high quality precislon sports watches and chronographs. Sales have increased at an annual compound rate of 28 per cent since 1988 when the current management team was appointed. In the year to December 1995, net sales amounted to SFr379.6m.

BENCHMAR	COV		AENT B						FUTURE	S OPTA	ONS (LIFFE)	UN250,000	points of		
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CURRENCIES AND MONEY

MARKETS REPORT

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D-Mark gains ground on worries about yen

By Richard Adams

The yen slipped on currency markets yesterday after the Japanesa August tankan review of business sentiment painted a downbeat picture of the economy and lowered chances of an interest rate

But it was the D-Mark and sterling rather than the US dollar - the usual safe haven for flows out of the Japanese currency - that gained most from the yen's fall.

The dollar climbed sharply towards Y108.8 in trading in Tokyo, but fell back after European markets opened. The dollar staged an afternoon rally in London to end at Y108.40, up from the previous day's close of Y107.70. However, the D-Mark was

also stronger, reaching Y73.41 by the close, up from Y72.90. The D-Mark also held its own against the dollar, ending at DM1.477, a tick up from DM1.478.

CROSS RATES AND DERIVATIVES

Aug 28

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Sterling also had a good day, helped by the betterthan-expected UK trade data and a successful gilt auction in the morning. Analysts said there was some evidence of Japanese buying of gilts. The pound rose strongly against the yen to Y169.036, up from Y167.621.

Against the dollar, the pound rose nearly half a cent, ending at \$1.559, from \$1.556. Against the D-Mark it also strengthened to DM2.3015, from DM2.987.

Analysts said the French franc may be set for what one trader called a "mini-crisis", after weak June industrial production figures. Yesterday the franc ended down against the D-Mark at FFr3.425, from FFr3.421.

- Pound in New York

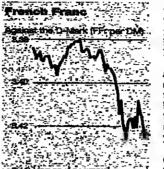
It is no understatement to say the markets were surprised by the weakness of the tankan, the Bank of Japan's quarterly survey of

business aentiment Most economists had predicted a more buoyant survey this quarter than in May. And that feeling of optimism was belped by rumours circulating yester-day in Tokyo before the release of the data predicting an upswing in the index.

Both proved to be wrong. A rise in Japanese interest rates looked less likely after the tanken showed the first decline in confidence among the country's large manufacturing companies for a year.

But analysts at DKB International in London said: The tankan is not pointing to a recession. Instead it is consistent with a mild eco-

Yen weakness is usually chosen by Japanese inves- pening to move the dollar



followed by dollar strength, as Japanese investors seek a strong currency. But while yesterday saw movement to the doller from the yen, there was an unusual level

of activity into D-Marks. Mr Tony Norfield, treasury economist at ABN Amro in London, said the D-Mark semed to be the safe haven

"What's happened this time is Japanese costomers are buying German bunds," Mr Norfield said.

Some longer term issues are weighing in against the dollar, which has been unable to capitalise fully on bullish sentiment following the Bundesbank's repurchase rate cut last week and yesterday's tankan news. Mr Tim Fox, treasury

economist at Standard Chartered in London, said an "uncertain political profile" in the US and continuing trade deficits were holding the dollar back. The US was also losing out in competition for investment flows to more dynamic economies

Mr Jeremy Hawkins, chie economist et the Bank of America in London, said there were few events likely to change the dollar's for tunes in the near future. "If there's nothing really baprent account, which is pour ing dollars into the mark."

■ The Swiss franc, the world's traditional safe haven. continued strengthen, despite D-Mark's rise. Against the D-Mark it went from SFr0.808 to SFr0.807.

But the Swiss franc's continued strength could spell danger for the Swiss economy. "The Swiss franc at these levels is almost an accident waiting to happen, Mr Hawkins said, wbo described the Swiss economy as "one of the weakest in

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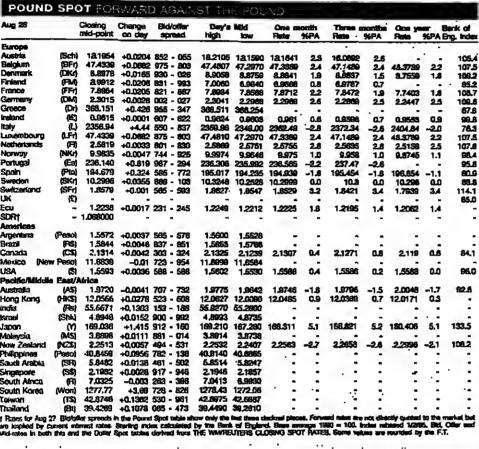
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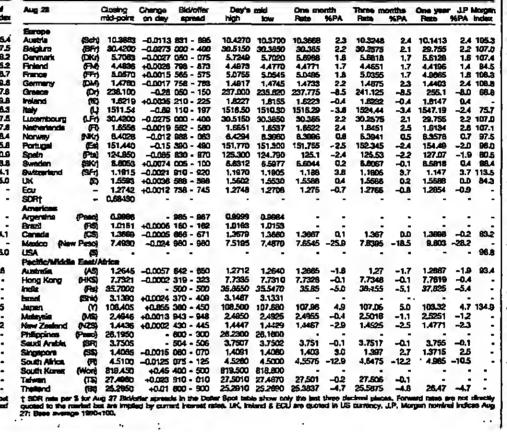
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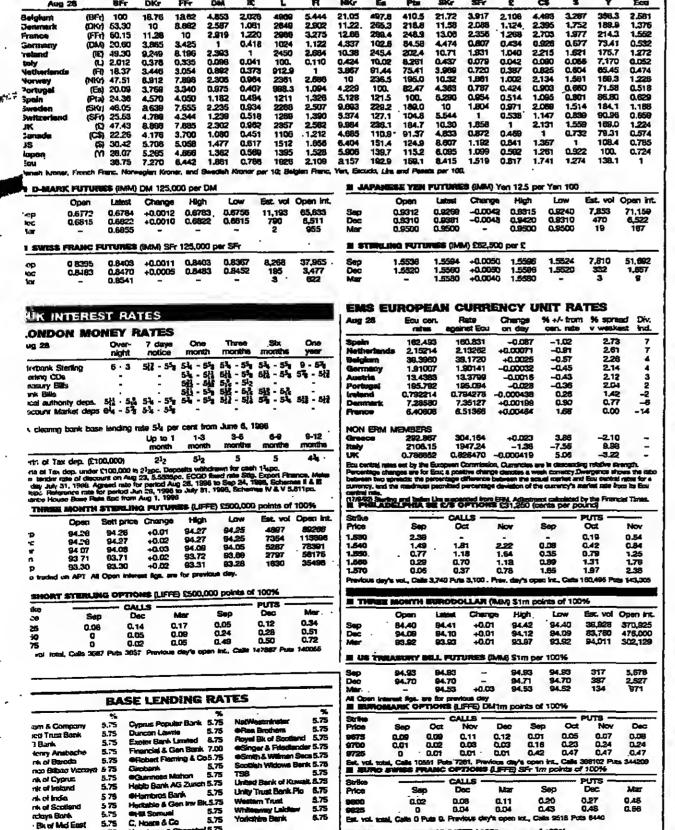
Private Finance

WORLD INTEREST RATES

MONEY RATES







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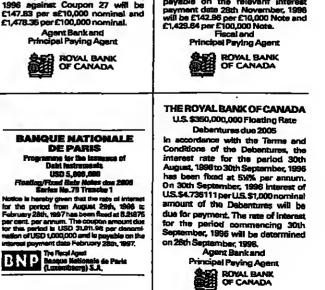




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THE KINGDOM OF DENMARK
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Floating Rate Notes Due 1996
accordance with the provisions of
Notes, notice is hereby given that

or the interest period from 28th August, 1996 to 28th November, 1996 to 28th November, 1996 the rate of interest on the Notes will be 5.8875% per annum. The interest payable on the relevant interest

COMMODITIES AND AGRICULTURE

rouse copper market

By Kenneth Gooding, Mining Correspondent

The possibility of substantial interruptions to global copignored at the London Metal Exchange yesterday. Problems building up for

copper include: The Tsumeb copper put out of action by strikers. Gold Fields Namibla, Tsumeb's parent group, said pro-duction would be halted "for a long time".

 Employees st Codelco's Salvador mine in Chile have rejected a final pay offer and voted to go on strike. Codelco said strike action could begin tomorrow;

 Another dispute is lo prospect at the Phelps Dodge mine at Chino, New Mexico, where a three-year contract expired at the end of June.

Nevertheless, in subdued trading yesterday, copper ended after-hours business at US\$1.943 a tonne, down \$1 from Tuesday's kerb close. Analysts were divided Analysts were divided to the possibility of the Tsu-about whether the market meb smelter being out of was right to be unexcited.

said the supply interruptions would be transitory, whereas through a structural change and heading for a period of substantial supply surpluses. He predicted a surplus as big as 300,000 tonnes this year, "with the bulk of it genermonths of this year".

LME copper stocks were rising by about 10,000 tonnes which would eee another 200,000 tonnes in the exchange's warehouses by the year end if unchecked. Copper producers' stocks had risen by 16 per cent in the first half of this year to 669,000 tonnes. "Lower cop-per prices seem inevitable as this eventful year for copper draws to a close," he added. However, Mr Robin Bhar,

analyst st Brandeis, part of the Pechlney group, suggested that the market was taking too much of a relaxed attitude, particularly action for the rest of this

ings Global Mining Group ehort of 15,000 to 20,000

There were already signs the copper market was going of tightness in supply of copper for delivery on the LME in September, "and this could make the tightness excruciating". Mr Bbar is forecasting a copper supply surplus of 100,000 tonnes this smelter in Namibia has been ated in the remaining year and 240,000 tonnes in 1997. "So the Tsumeb situation won't turn sentiment in a week, he pointed out, tral to bearish - around overnight. But it might delay the growing surplus.

be said. Gold Fields Namibia said that "very extensive damage" had been caused to the 40,000-tonnes-a-year Tsumeb smelter. Striking employees had taken control of certain key areas, including the smelter and all mines, last Friday and continued to prevent access, although some essential services were being performed.

The company had obtaine a court order declaring the strike unlawful but Namibian police had found it difficult to enforce.

Supply setbacks fail to |Lonrho hangs fire on Kazakh gold tender

By Kenneth Gooding

The government's embarrassment about its failure to attract foreign investment in Vasilkovskoye, one of the world's biggest gold depos-its, seems set to continua for some time.

This became clear yesterday when Lonrho, the UK based conglomerate considered by Kazakhstan's State Property Committee to be the most likely candidate to tender for the controversial project now that it bad pecome available again, indicated that it was in no burry to accept the government's again, Lonrho would under in December 1994, the Kaz-

We certainly won't jump Kazakhstan in as the great saviour of the project," said Mr Chris Davies, technical director of Lonrho's mining operations. insisted. Both Teck and Placer He said he understood that after the failure of the envernment to reach agreement with a consortium led

by Teck Corporation of Canada, all previous bidders for Vasilkovskoye had been contacted and asked to tender again. The government wanted a quick response but Lonrho had not yet made up its mind whether to bid, he

However, if it did tender

progressive liberalisation of the domestic gas market and

the requirement that users

of British Gas'a pipelins net-

work balance each day the amount of gas put into the

system with thet which they

The spot market will play

sell to customers.

payments up-front. The only money it would be prepared to spend would be on a feasibility study, Mr Davies

Dome, another Canadian group that had "exclusive" negotiating rights over Vasilkovskoye but pulled out, were willing to put up substantial deposits. Placer is still waiting for its US\$25m deposit even though the deadline for its return by the government passed in

Since the project was put out to tender the first time

Australian group that was under the impression it had exclusive rights to Vasilkovskoye, as well as the European Bank for Reconstruction and Davelopment. which was advising on the

tender process. Mr Davies suggested that the Kazakh government would do well to reconsider its approach to attracting foreign investment in Vasilkovskoye. It might, for example, consider providing half the cost of a feasibility study to encourage potential

He pointed out that,

invitation to make an offer. no circumstances make any akh government has also although Vasilkovskoye con"We certainly won't important the same and the same also although Vasilkovskoye con-6.5m troy ounces - the ore was very difficult to process and milling it would be very

expensive. A State Property Committee official indicated last week that negotiations with the Teck consortium had brokan down because the Canadian group wanted guaranteed and fixed electricity prices as milling would require so much energy. The Kazakh government said it could not comply because it had privatised most power plants and given a pledge that prices would be liberalised.

British Gas expects more imports from Norway

By Robert Corzine in

A reversal in the steady decline of Norwegian exports of natural gas to the UK could take place over the next few years in spite of a persistent surplus of domestically produced gas, according to British Gas.

Mr Pierre Jungels, the bead of exploration at British Gas, said that the introduction of s genuine gas spot market in Britain could a central role in achieving open niches for Norway, this daily balancing, and will

even though the overall eventually form the basis for market remained in surplus. a full-blown gas futures con-The gas spot market is expected to begin function-In a speech to the Offshore ing in earnest over the next year or so as a result of the

Northern Sea conference in the Norwegian port of Stavanger yesterday Mr Jungels suggested that there might be scope for "flexible supply arrangements to meet winter demand. . . if Norway is willing and able to fulfil that role. There may then be room for Norwegian gas in the UK long before the supply/demand balance appears

As recently as 1985 Norway was supplying about 27 per cent of UK gas demand. But a sharp increase in UK gas production and a dispute between London and Oslo over future Norwegian exports has led to Norwegian gas exports into the UK falling to only 2 per cent of

Mr Jungels said any additional Norwegian exports to the UK would be "marginal" compared with Oslo's ambitious plan to expand Euro-

60bn cubic metres in the early part of the next decade to 80bn cu m.

He added that relatively cheap and plentiful UK supplies would be available for export from 1998, when they would "have an important influence on continental

Although recent industry studies suggested that the UK gas surplus could dissipate by the end of the decade, Mr Jungels said: "There is a great deal of gas pean gas exports from about still waiting to be produced".

Comalco may join Chile project

By Nikki Tait in Sydney

Comalco, the Australian integrated aluminium pro-ducer that is controlled by the RTZ-CRA mining group, said yesterday that it bad rights, and expanding the signed an agreement with Canada's Noranda that could allow the Australian group to acquire up to 50 per cent of Noranda's Alymysia project in Chile.

The project - which is only in its early stages - is grated hydro-electric and lluminium smelting plant in the south of the country, with a potential cost of

enough water rights to supply e 270,000 tonne reduction plant, but Comalco said yesterday that the two groups were looking at the possibility of acquiring more water capacity to 420,000 toones. It added that preliminary studies on the expansed project and discussions with the Chilean government on the additional water rights were

The companies also said looking at the possible that a Chilean power com-development of an inte-pany could be involved in the ownership and operation of the bydro-electric facili-

> News that a formal agreement bad been completed

after the Australian company announced a sharp drop in profits for the halfyear to end-June. It made A\$43.9m (US\$34.5m) after-tax (but before abnormals and extraordinary Items), compared with A\$155.1m in the same period a year earlier, The downturn was blamed

on lower primary aluminium prices, softer alumins markets and the stronger Australian dollar against the US currency. The company predicted little improvement in the aluminium price in the second balf and acknowledged that the supply and demand situation was delicately balanced and could

PNG gold mine 'ahead of schedule'

Lihir Gold, the listed company that is developing the large Libir gold mine on Papua New Guinean island of the same name, said yesterday that it expected to begin commissioning the oxide ore-processing facilities at the mine during May next year, ahead of schedule. As a result, the production forecast for 1997 bas been revised upwards to 175,000

120,000 ounces previously Processing of sulphide ore should be able to commence

by October next year, two months' ahead of the earlier forecast, Lihir said. It noted again that this should have a domino effect on the following year's production, which is now expected to top 550,000 ounces.

The company added that, at the end of July, engineering work was 92 per cent complete and construction

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COFFEE 'C' CSCE (37,500fbs; cents/fbs)

127.30 -3.80 130.50 126.30 658 1,562 118.55 -2.65 118.40 115.25 6,929 20,189

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11.73 -0.01 11.74 11.67 9.394 70,175 11.39 -0.01 11.40 11.35 3,765 47,184 11.80 -0.01 11.20 11.35 3,765 47,184 10.85 - 10.87 10.83 13.98 13,226 10.99 - 10.71 10.83 234 8,340

75.31 -0.54 75.85 74.50 1,988 6,664 75.11 -0.65 76.75 75.4074,7328 23.214 77.31 -0.59 77.80 76.65 1,389 7.806 77.80 -0.65 76.50 77.45 35 6,188 77.80 -0.75 79.50 77.45 35 1,000 77.50 +0.10 77.90 77.50 35 1,000 18,007 54,008

E COTTON NYCE (50,000bs; certs/bs)

E ORANGE JUICE NYCE (15,0000s; cards/ba)

Oct Dec May Jul Oct Total

110.90 -2.30 113.18 109.80 1,539 111.00 -1.00 112.25 109.80 95 110.78 -1.50 111.70 108.75 18 110.75 -1.50 111.25 108.50 30

1376 1352 9,322 31,138

1411 1,815 8,129 1430 65 5,985 1444 18 5,399 12,821 75,919

1650 1,186 4,934 1629 2,043 13,772 1587 616 4,698

1557 215 2,57

95 1,788 18 488 30 170 9,373 28,832

1331

I COFFEE LCE Shorne

Exchange robusts COFFEE futures prices followed New York values downwards

yesterday as profit-taking continued to weigh on both markets. But traders said good trade support limited

tenne, hovering around a

Coffee and cocoa weaker Commodity critical support area, which afternoon dealing as trade

"Generally it has done quite well," said one trader. It just needs some back-up from fundamentals to keep it

The LCE's November delivery contract closed \$57 down on the day at \$1,633 a

Traders said that cool

Technical analyst Ms Elli Gifford of Investment Research of Cambridge said this week's slide had hinted that the market could have

pushed prices to the edge of a key support area, traders

Some attributed the sales principally to investment funds while others said liquidation by trade houses was mainly responsible for the

Tha key second-month December delivery contract closed at £990 a tonne, down £10 on the day, after hitting a session low of £985.

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE Prices from Amalogmated Metal Trading) ALUMINIUM, 94.7 PURITY (5 per tonne)

Lange Card		1480,3/1401
AM Official	1446-6.5	1482.5-3.8
Kerto close		1486-6.5
Open int.	217,094	
Total daily turnover	54,849	
ALUMINITUM AL	LOY (\$ per to	onne)
Close	1248-53	1283-8
Previous	1242-47	1277-80
High low		1285
AM Official	1249-50	1281-5
Kerb close		1283-5
Open urt.	4,674	
Total daily turnover	1,199	
LEAD IS per ton	net	
Close	802-3	803-4
Previous	798-99	801-02
Hgh:tow	802-801.5	805/786
AM Official	801 5-2.0	803-3.5
kerb close		805-6
Open int	33,069	
Total daily samover	8,006	
MICKEL IS per to	onne)	
Close	7245-55	7345-50
Previous	7240-50	7340-45
High?ew		7360/7300
AM Official	7215-20	7312-15
Kerb alose		7360-70
Open int	37.302	
Tetal daily turnever	14,018	

6175-80 \$170-75 0175/6101 0160-61 0170-75 810-18

1025-6 998-99 1000 1029/1036 999 5-1000 Open int Total daily tumover 1975-7 1981-83 High/low AM Official 1972-3 1844/1934 201,170

LINE AM Official E/S rate: LME Closing E/S rate: 1,50 90.85 -0.65 91.00 90.50 489 91.05 -0.06 91.50 90.15 2.906 9.988 90.05 +0.15 90.95 90.40 67 1.845 90.60 +0.30 - 11 1.348 90.20 +8.35 90.50 89.30 2.109 21.532

PRECIOUS METALS

III LONDON BULLION MARKET cus supplied by N M Rothschild 388,50-388,00 249 647 464 942 388.85-389.15

Day's High Day's Low ing Rates (Vs USS) nonths4.87 3 martine

p/troy of 334.60 338.95 342.95 521.15 527.75 \$ price 386-390 397.70-400.20

Precious Metals continued GRAINS AND OIL SEEDS GOLD COMEX (100 Troy oz.; \$/troy oz.) 386.5 -0.8 389.9 389.1 28 20 380.9 -0.9 - 389.0 2 2 390.0 -0.9 390.9 389.7 1,525 10,583 393.0 -1.0 394.1 392.9 11,755 75,089 395.5 -1.5 398.0 395.4 64 12,587 396.0 +1.5 398.0 390.0 17 5,996

PLATINUM NYMEX (50 Troy oz.: \$/soy oz.) # WHEAT CET (5,000bu mir; centa/60lb busine) # COCOA CSCE (10 tomnes; \$/soynes) 403.0 -2.1 404.5 402.7 1,095 18,870 405.2 -2.1 406.5 405.5 83 3,385 410.3 -21 413.8 -21 PALLADIUM NYMEX (100 Troy oz.; \$700y oz.) 130.16 +0.20 129.00 129.00

-8.3 - 2 4 -6.6 523.5 515.8 15.528 17.211 -6.8 625.0 625.8 6.906 24 -6.6 532.8 5228 15.320 52.165 -8.6 538.6 538.0 57 23 -6.6 538.0 532.8 176 9.505 31,122 85,171

ENERGY E CRUDE OIL NYMEX (1,000 borrels, \$/barrel)

+0.48 22 10 21.35 25.179 82.884 22 10 27.35 25.179 82.884 25.91 7.845 26.827 21.00 20.50 3.337 45.635 20.62 20.15 3.121 30.514 20.25 19.65 675 22.086 19.50 19.56 48.945 360.004 E CAUDE OIL IPE (\$/berrel) Lutant Day's Open prior charge High Low Vol int 20.46 +0.43 20.51 19.85 20,669 67,707

HEATING OIL HYNEX (42,000 US gails; GUS gails.) CTING CR. m. Carrier Company (Company Company

 Set:
 Day's
 Open

 price charge High
 Low
 Val
 lot

 1B1.75
 +2.50
 192.25
 197.75
 7.173
 22.846

 183.75
 +2.00
 190.25
 186.00
 5.296
 12.495
 187.50 +2.00 187.75 183.75 1,284 7,921 185.50 +2.25 185.50 182.00 1,150 14,608 182.75 +2.25 182.75 179.75 817 6,361 178.50 +2.25 178.50 175.00 319 1,327 M NATURAL GAS HYMEX (10,000 pundle: Symmille)

Low Vel for 1 595 +0.013 1.955 1.860 13,798 32,279 2045 +0.006 2.118 2.020 3.074 14.886 2.170 -0.007 2.225 2.100 2.789 15,843 2.215 +0.006 2.255 2.200 2.516 13,846 2.155 -0.001 2.195 2.150 1,084 7,503 2070 -0.015 2.115 2.070 NYMEX (42,000 US pags.; c/US page.)

111.00 +0.90 111.05 110.00 113.00 +0.85 113.00 112.05 115:00 +1.00 115:00 115:00 117:00 +1.00 117:00 118:50 118:50 +1.00 115:75 115:75 Sep 451.25 -7 459.00 450.50 3,854 11,384 Dec 455.00 -9 465.50 453.00 7,015 38,182 -9 438,00 431,50 -6 406,00 400,00

83 171

SOYABEAN OIL CET (60,000fbs: centu/to)

16.507 75.223

M WHEAT LCE (C per torme)

SOFTS III COCOA LCE (E/tonne Step

272 M MAIZE CET (5.000 bu mirc cents/56b bushe) 357.75 -2 372.00 367.50 9,935 38,285 342.78 -6 359.75 342.50 29,925 183,007 349.75 -5.5 390 75 349.50 1,004 14,307 354.25 -6.5 382.00 355.00 1,004 14,307 364.25 -8 360.75 354.00 750 11,436 317.00 -3 321.00 317.00 135 1,222

M SOYABEANS CST (5,000to mis; corts/60to bushe)

Sup Oct Dec Jun Her Many Total

100 All futures data supplied by CMS.

62.90 +1.69 62.90 61.10 12.960 14.351 61.40 +1.34 81.70 80.00 16.455 22.155 80.00 +1.09 80.30 56.90 3,710 8.949 57.70 +0.65 55.70 57.70 668 4.478 57.70 +0.45 57.70 57.70 475 4.220

"move in either direction". | ounces, compared with around 36 per cent complete.

10033 +055 100.18 100.00 103.25 +0.40 - -105.90 +0.80 106.00 105.50 107.75 +0.50 - -109.50 +0.35 - -

211 -0.44 2561 2510 4,833 11,078 23.11 -0.44 2562 25.3 3,715 14,170 25.74 -0.43 76.25 25.72 8,827 37,855 25.97 -0.44 2550 25.05 389 6,787 26.33 -0.47 25.85 26.45 37 5,545 26.65 -0.47 25.91 26.73 614 3,588 18,500 40,223 SOYABEAN MEAL CET (100 tons: S/ton)

262.2 -0.2 264.9 262.1 8,361 18,669
254.6 -0.9 257.8 254.3 3,465 14,157
250.4 -1.5 254.5 250.0 9,868 36,120
248.2 -2.2 252.5 246.3 57.6,702
246.4 -2.1 251.0 246.6 1,732 5,145
243.2 -1.6 247.6 243.0 372 4,869
24,83 88,842 61 15 FREIGHT (SFFE) LCE

Close 1116 FUTURES DATA

Nuts and Seeds Prices from Kankko Group; USS a torne, Ingrish pistachlos 28/30 new (in shell) natu-Install pistachics 28/30 raw (in shell raturally opered (roard); 1995 crop 3,600 CFR/FOT MEP, sold out; 1995 crop 3,600 CFR/FOT MEP, sold out; 1995 crop satimated 30% down from 1995's. US almonds (ahelied); hot wasther causing nuts to burn; 1996 crop, 23/25 NPSSR at 5,500 FAS Casternia, shipment September-October, 18/20 NPSSR up from 5,500 to 5,600. US wastate also affected by heat, crop estimate due September 6. Turkish lazalnus; standard No 1 - prices still unclear; second hand market high at 3,500-3,900 ex-door Germany. Indian cashever raw; W-320, 5,750 spot Europe – quiet, steely because of local holidays. Turkish apricots No 1 2,900 FOS MEP, supplies short, lames surficier seed: up from 1,000 to 2,100 CFR MEP on tight available).

- 120.25 119.60 1,328 4,092 - 114.80 173.70 1,639 8,265 - 114.00 113.25 - 114.00 114.00 - 115.05 115.05 - 178,00 118,00 2,156 19,760 VOLUME DATA
Open interest and Volume data shown for
contracts traded on COMEX, NYMEX, CST,
NYCE, CME, CSCE and SPE Crude Of are day in arrears. Volume & Ocen into

totals are for all traded months INDICES REUTERS (Base: 18/9/31=100) Aug 28 Aug 27 month ago year ago 1952.1 1962.9 1943.0 2240.8 M CRE Puteres (Base: 1967=100) Aug 26 month ago 250.33 GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK III LIVE CATTLE CIME (40,000lbs; ownts/fbs)-

71,500 -0,225 71,725 71,250 5,339 42,537 87,800 -0,025 88,050 87,825 3,286 23,100 55.500 +0.075 65.750 85.300 1,206 14.679 66.975 +0.05 67.100 66.850 275 5,022 64.925 - 65.100 64.875 86 2,641 65.100 - 65.125 65.650 40 2,872 III LIVE HOGS CHE (40,000bs; cents/bs) Oct 53.175 -0.625 53.050 53.150 2.774 13.065 72A75 -0.675 73.100 72.400 77.875 -0.25 77.800 77.400 75.800 - 75.850 75.250

88,525 -2,000 88,525 88,525 82.050 -2 83.50 82.050 81.025 -2 83.00 81.025 81.000 -1.36 82.050 00.950 81.500 -1.5 81.950 81.300 78.400 -0.3 78.400 78.400

LONDON TRADED OPTIONS

LONDON SPOT MARKETS Brent Bland (dated)
Brent Bland (Oct)
W.T.1

GR. PRODUCTS N \$216-218 \$193-194 \$100-102 \$196-198 \$223-224

Diesel MATURAL GAS (Pence 5195-196 14.70-14.90 +0.05 Petroleum Arpus. 98.9c 45,00c Tin (Kusia Lumpur) Tin (New York) 15.08r 287.50 Cattle (five weight) Sheep (five weight) Pigs (five weight) 94.03p 113.43p 106.95p -1.70° +0.29° +1,12° Lon. day sugar (raw) Lon. day sugar (wie) Barley (Eng. leed) Maize (US NoS Yello \$308.00

Unq \$141.5v Unq Rubber (Nov)♥ Rubber (Nov)♥ Rubber (KL RSS Not) 88.00p 98.00p 326.50m Coconut OR (Phays \$760.DW

+6.00 Paim OS (Majay)§ Copra (Phili§ Soyabeans (US) Cotton Outook'A' Index

technical analysts thought and speculative selling should hold

weather in Brazilian growing areas was providing background support limiting the market's downside tential

seen the best of its strength for now.

LCE COCOA futures

extended losses in active Compiled from Renters JOTTER PAD

CROSSWORD

No.9,159 Set by BATS

Maybe Moore lost cup. right? Wrong! (8)
10 Duck needs s way to follow another way (7) 11 See 27 12 Instrument without opening instrument (4)

14 This broom's dealt with blockage (10) 13 Delightful democratic leader as worthy candidate

home (6) Soms places to develop a 20 Assumes the form of Harry eye (6) 24 Ob tiny rib I broke is a hindrance (10)

Spoil most of wartime

26 Cycle needs wheeled races 28 Clergyman is with it come again? (7) Roughly belt that man cap tured, one often hunted (7)
30 A beast dies, slaughtered for the lamb of God (5,3) 31 Between the wings of wren

lies very strange heraldic DOWN 1 Lib-Dem upset by political interviewer (8) Patience stretched a lot is followed by anger (9)
Prohibition overcome by

love for port (4)

6 Magical suspense (10) 7 Pulse found in broth (8 Manmade fin for fish? Let me think (6)

6 Borders without opening borders (5) 17 Old copper temperamental in Bedfordshire (9) 18 Groop that's male or female - Man races in support (8) 19 Emperor Tip O' Trotsky (8)

22 The range of Romeo's successor in communications Seconne (/)
21 Ears, part of ear and part of
eye (6)
23 Time given to Muse (5)
25 Trench – a venue providing sanctuary (5) 27, 11 Yellow flower, as it happens, another colour (4-7)

Solution 9,158

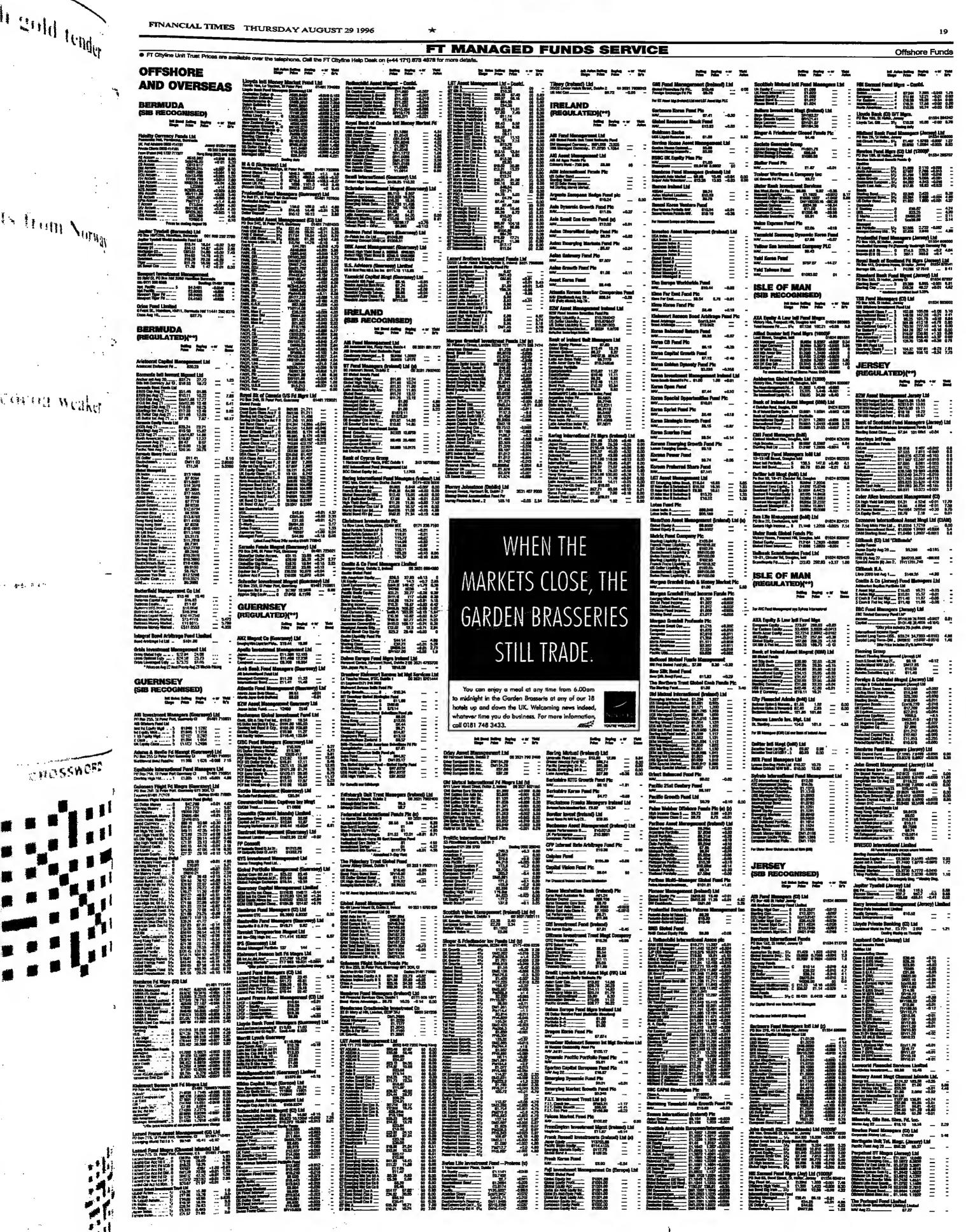


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CHOSSWORD



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Offshore Funds and Insurances FT MANAGED FUNDS SERVICE ble over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. LUXEMBOURG ** \$21.25 \$19.26 \$13.74 \$13.74 \$13.74 \$13.75 \$17.00 \$1.30 \$5.80 \$1.30 \$1.30 \$1.30 65.05 65.45 65.45 65.45 65.45 65.45 65.45 LUXEMBOURG 0474.53 0474.53 0474.53 \$1.00 \$1.00 \$1.00 \$1.00 274 51,80 52,16 51,176 +0.01 61,036 61,036 \$5,513 10,249 11618 -0.01 5.91 -0.00 5.95 -0.00 7.23 -- 3.06 +0.01 \$74.99 \$10.50 \$70.57 \$40.77 \$25.75 \$25.75 \$10.90 \$1 511.01 510.46 041144 23.54 45 \$15.36 \$15.54 -000 T7.55 髓 10.51 9134 (2009)
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FT Cityline Unit Trust Prices are available over the telephone. Call the FT (FT MANAGED FUNDS SERVICE	Offshore Insurances and Other Funds
Old Multical Infortrational	Cohembus Aspet Management Ind Safa Currency Fessels School Service Aspet Management Ind Safa Currency Fessels Safa Currenc	Second S
Pantifer Life societies announced by the Pantifer Life State of the Pantife	Description 11 11 11 11 11 11 11	PR
Penalten Growth A	Part Description Descrip	Pers Select Group of Funds Limited Debutter Street Pers Pe
Substance Subs	Became Asid And St. \$12.43	Process Apparent New So. 17 Desired New No. 17 No. 18 No. 1
Part	For East And Interest Services East Entrope Development Fund Ltd Throughing the INV Ag L: \$27.7942 East Entrope Development Fund Ltd Throughing the INV Ag L: \$27.7942 Edubanish Porticial Ltd INV Ag Zz	10.0.54
Second S	Entition of this Association	23 19.5.2 + 16.77 19.5.2 + 16.77 20 19.5.2 + 16.77 20 19.5.2 + 16.77 20 19.5.2 + 16.70 20 19.5.2 + 16.
Of A left Curr 8 Board \$1 000	Fictive Section Sect	Schröder Investment Monagement Limited 6 (Buherman) 5 (B
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FINANCIAL TIMES THURSDAY AUGUST 29 1996 ELECTRORIC & ELECTRICAL EXPT - Cont.

STRACTIVE REDUSTRES - Cont.

ELECTRORIC & ELECTRICAL EXPT - CONT.

ELECTRORIC & ELECTRORIC & ELECTRICAL EXPT - CONT.

ELECTRORIC & ELEC LONDON SHARE SERVICE 100 pa of 100 pa HOUSEHOLD GOODS - Cont. Manual San Core

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FINANCIAL TIMES THURSDAY AUGUST 29 1996 TO STATE OF THE PROPERTY OF TH A Shirth Action 2 多有种的人类的特殊,这种人的是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们 一种,我们就是一种,我们就是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我们也是一种,我 The state of the s **Rockwell Automation is leading** technological innovation with more than COLLEXPLORATION & PRODUCTION

Separation of Production of WATER

Marie And And Andrew Company of the Company 500,000 products for a broad spectrum of industries. Rockwell ## Pice | TOTHER FINANCIAL

STORY OF THE PROPERTY OF THE

Bid stories help Footsie to new records

UK Stock Market Editor

London's equity market was back on the fast track yesterday, with the FT-SE 100 pushing ahead to a new all-time closing bigh. The Index also pierced its previous all-time intraday record.

The main driving forces behind the market's latest adventure into new ground was a successful outcome to the auction of £2.5hnworth of gilts, better-than-expected trade figures for June and July and the strong recovery in sentiment in US stock and bond markets, both overnight and at the outset of trading yesterday.

In the background to the fundamentals boosting shares prices, was another burst of takeover speculation, epecifically in the financial areas of the market, where the banks and insurance stocks made rapid progress. And there was more encourage-

ment for market traders in the gradual increase in turnover in equities.

At the end of a busy session the FT-SE 100 was left with a 13.0 gain at a closing record of 3,918.7. Second-liners were also in good demand with the FT-SE Mid 250 index moving up 9.5 to 4,437.8. The Mid 250 is slowly reeling in its all-time high, 4,568.6, reached

in April this year.

Dealers were impressed with London's overall performance. especially in view of a bout of jitters in the gilts market around middey when gilts briefly dipped into negative territory before stabilising. They eventually ended the day a couple of ticks higher across the board.

outcome of the gilts anction. where there were bids for 2.7 The day's hig feature was the times the amount of stock steep rise in Lloyds Abbey Life offered, and the good trade figures, that helped stimulate buying interest in equities.

looking to move higher in response to the fresh dose of bid speculation

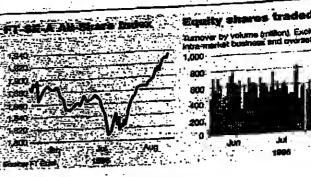
With the Dow Jones Industrial Average making good early progress, aided by a firm bond market ahead of the auction of \$12.5bnworth of 5 year bonds, the FT-SE 100 pushed ahead to a record intra-day high of 3,922.1, before Earlier, it was the excellent coming off the top following a minor bout of profit-taking.

shares to a new peak amid a flurry of bid stories. These included a suggestion that the Apart from the mid-session Prudential Group was about to wobble, the market was always launch an agreed offer for the life

assurer as well as the more plausible talk that Lloyds TSB was about to bid for the minority 37 per cent stake in Lloyds Abbey.

Marketmakers were initially sceptical that the Pru would mount a bid for Lloyds Abbey but they refused to rule out such a move. Dealers said Lloyds TSB shares, the fourth best performers in the FT-SE 100 index, had been lifted by the prospect of the windfall resulting from any takeover of Lloyds Abbey.

Turnover in equities at the 6pm count came out at 623.9m shares, with non-FT-SE 100 stocks accounting for almost 60 per cent of the total.



Banks: Merchani

-SE 100	3918.7	+13.0
-SE Mid 250	4437.8	+9.5
-SE-A 350	1960.5	+6.0
-SE-A All-Share	1996.24	+6.06
-SE-A All-Share	yield 3.80	3.82
-SE-A 350 -SE-A All-Share -SE-A All-Share	1936.24	+6.06

FUTURES AND OPTIONS

FT Ordinary index FT-SE-A Non Fins p/e 17.47 +18.5 FT-SE 100 Fut Sep

1, 151

4.4

Paper: Pckg & Printing Extractive industries s: Foods .

TRADING VOLUME

Vol. Closing Day's 000s price change

1,800 1,500 677 1,700 68,800 1,500 1

M Major Stocks Yesterday

Est. voi Open int.

Lioyds **Abbey** hints

By Joel Kibazo, Jeffrey Brown, Lisa Wood and John Dludlu

The market spotlight fell upon life assurance group Lloyds Abbey Life as its shares moved sharply ahead on speculatioo that it will soon be on the receiving end of a bid from Prudential Cor-

Yesterday's talk wae sparked by Monday's news of Prudential's disposal of its Mercantile & General reinsuraoce busioess in a £1.75bn deal. Prudential has signalled its intention to hit the acquisition trail and the better than expected price achieved from the sale of M&G was said by analysts to have significantly boosted the group's war chest.

However, several analysts suggested such a merger is unlikely and instead pointed to renewed talk in some quarters hinting that Lloyds TSB which owns 62.6 per cent of Lloyde Abbey is looking to buy the minority bolding it does not already control.

The combination of both rumours sent sbares in Lloyds Abbey soaring 32 to 592 ap. in trade of 3.2m.

One analyst said: "I very much doubt the Pru Is looking at Lloyds Abbey as

pany Prudeotlal is looking for. It is better for the Pru to look to the mutual sector. It is more likely that it is Lloyds TSB looking to do a

The market cootinued to cbeer the Prudential deal and the shares bardened 34to 440%p, while a firm banking sector saw Lloyds TSB put on 8 to 380. p, in busy trade of 8.8m.

Allled Domecq was the best performer on the FT-SE 100. climbing 11 to 4645p after positive media comment and changed recommendations by a oumber of analysts in the wake of the ale of its share in Carlsberg-

Tetley to Bass. Credit Lyonnais Laing. which has been bearish on the stock and which only became a bolder in April recommended a trading buy. while Kleinwort Benson put out a "buy" note on valua-

tion grounds. Mr Peter Lucas, an analyst et Credit Lyonnais Laing said the disposal of Carls berg-Tetley would add 2p to earnings per share and left the shares on a 15 per cent discount to the market.

He said Allied's retail division stood to gain considerably from the new found freedom its pubs would have from the tie next year and from the expected lapse of a ceiling on bow many pubs it could operate. Bass added 7% at 844p

while Scottish & Newcastle, which is the other leading brewer, rose 8 to 6781/2p with positive comment in a note from NatWest Securities. It it does not bave the ideal said that with 40 per cent of profile of the type of com- S & N's profits coming from brewing it would be a major beneficiary of any improvements in the underlying health of the industry.

Shell moved up 51/2 at 946p after a "buy" note from ABN-Amro Hoare Govett, which said that European downstream restructuring would boost 1998 earnings forecast by 8 per cent to \$1.1bn before tax.

The broker expects Shell to announce the European refinery rationalisation and a new management structure for the continent before year-end, but benefits would kick in next year and 1998.

After the restructuring, the oil multinational would combine its strong marketing and growth with improved refining evetem and more efficient cost control. ABN said.

Other firm stocks in the banking sector included

better at 680p, HSBC which put on 6 to 1164p, and Royal Bank of Scotland where the shares gained 41/2 to 503p. Abbey National, 8 up at 610'Ap. was also wanted.

Electronic giant GEC dipped 51/4 to 385p in 4.2m traded after a note from Salomon Brothers set a target price of 340p for the

The broker argues that the restructuring benefits expected from GEC's new management have already been factored into the shares. It claims that the stock is trading on a top-heavy premium to the market.

Bus maker and motor distributor Henlys, which puts out an interim statement on Monday, shot to the top end of the FT-SE Mid 250 rankings with a gain of more than 4 per cent.

There was talk among bro-National Westminster 71/2 kers suggesting good half-

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FINANCIAL TIMES EQUITY INDICES

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P/E ratio nil	17.02	18.99	17.00	16.89	16.82	15.40	17.08	15.71
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Flises and tells"		52 Week highe and	Lorente	LIFFE Equity opt	ione
Total Rises	741	Total Highs		Total contracts	58.38
Total Falls		Total Lows	58	Calls	35.03
Same	1,245			Puts	23.34

year numbers, and sentiment was aided further by anecdotal evidence from the industry about strong car sales. Some analysts are betting that August registrations are running some 5 per cent ahead. The chares

Rolls-Royce, which reports interims today, added a further % to 231p in turnovar of 7.2m, aided by a positive recommendation from Merrill Lynch and hopes for good news from next week'e Farnborough International air show. Avionics maker Smiths Industries put on 10 to a new all-time high of

jumped 27% to 667p.

W.H.Smith fell 51/2 to 510p after reporting its final results, which were shead of most forecasts, but disappointed the market when it said that sales were patchy in the current year.

A number of analysts increased their forecasts because they had been bearish on the results, rather than an underlying upgrade. SBC Warburg increased its estimate by £10m to £130m and UBS moved its forecast from £115m to £120m.

Dairy Crest made a gold top debut, rising to 198%p from its issue price of 155p. formance.

Stagecoach was well sup ported ahead of next week's annual meeting. The occasion is traditionally used by the bus and train operator as a platform for a trading statement, and this time round there are also hopes for acquisition news. Stagecoach is the pre-

ferred bidder for Swedbus. the Swedish national bus group. The talk yesterday was that the group had clinched the deal. The shares added 6% to 507%p, in ex rights form. Regent Imas recovered 6 to

223%p with Kleinwort Ben-

ating its buy stance. Irish building materials group CRH continued to recover, gaining 16 to close

The group has been linked to a possible £180m acquisition of Tilcon, a US unit of conglomerate BTR. And next week's interim results from the company are expected to be strong.

After the recent strong encouraging showing by the sector, most building materials shares met with profittaking. Redland ended 31% down at 450p, while RMC closed 81/2 softer at 11131/2p. Profit-taking in National Grid left the shares trailing 2 to 178p, the worst performer of the day in the

10140 964 0 +17.5 +17.0 +17.5 3941.0 3962.5 3973.0 6101 FT-8E 100 INDEX OPTION (LIFFE) ('3819) 210 per full index poin ERRO STYLE FT-SE 100 INDEX OPTION (LIFFE) \$10 per full index point

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LONDON RECENT ISSUES: EQUITIES

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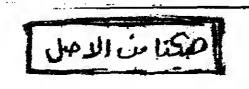
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Information



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Highs & Lows shown on a 52 week basis

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dull equity scenario

Wall Street

US shares were flat in extremely quiet trading at midsession in the last week before the Labor Day holiday which traditionally marks art end to the summer holiday seasoo, urites Lisa Bransten in New York.

At tpm volume on the NYSE was just 178m shares. The Dow Jones Industrial Average was t.48 stronger at 5.712.75, while the Standard & Poor's 500 was off 1.08 at 665.32 The American Stock Exchange composite rose 0.76 at 562.81.

Technology sbares were mostly strooger with the Nasdaq composite rising 5.50 at t.141.72 and the Pacific Stock Exchange composite adding 0.5 per cent.

IBM was among the strongest performers in the technology sector, adding \$3% at Brothers raised its rating to "strong buy" from "buy" citing stronger business funda-

Philip Morris fell \$% to 40.5m shares \$91%, after an earlier \$1 rise as the company raised its quarterly dividend by 20 per cent to \$1.20 as expected. They fell back later after Dayton Hudsoo said that it planned to stop selling ciga-

rettes in its Target stores.

H&R Block fell \$1% at \$26% after announcing that it would put off completing the spin-off of CompuServe, the online service company. Block sold 20 per cent of CompuServe to the public in April and shareholders were to vote on whether to complete the separation et the annual meeting next month. CompuServe rose \$11 et

Canada

Toronto picked up at midses sloo, having overcome early weakness as the market consolidated some of the near-300 point advance seen since the start of the month. The TSE-300 composite index was t1.29 bigher hy noon at 5,185.17 in hefty volume of by early afternoon.

ATS Automation Tooling Systems jumped C\$2.10 to CS40 as the stock became a TSE-300 constituent.

Noranda rose 50 cents to C\$28.80 after the Australian company, Comalco, said that it might acquire up to 50 per cent of Noranda's Alumysa aluminium project.

Latin America

MEXICO CITY etruck an intra-day record high of 3,454.31 before some profit taking was encountered. By I pm the IPC index was up

SAO PAULO rose during the morning on strength in Telebras, the telecoms group, on reports that the company was going to lift subscription rates. The Bovespa index was up 1,003 or 1.6 per cent at 62,264 by midday. Telebras preferred stock was up R\$1.90 at R\$76. CARACAS built on Tuesday's record close with the

IBC index up 37.77 at 4,750.53

EUROPE

IBM upgrade spices Carmakers shine on Frankfurt stage

strong recovery today coincistrong recovery today coincibanking sector, he noted, ding with good news from had had a happy July on a 36 its new Passat model.

DM81.26, and by DM8.20 to DM549.10, while the Dax index fell 6.95 to an Ibis-indicated 2,556.64. They also kept turnover at a respectable level, accounting for DM1.9on between them ket total up from DM6.3bn to DM6.9bn

Daimler and VW, with Flat of Italy, emerged particularly strongly from a report on new products in the industry by Mr John Lawson of Salomon Brothers this month, which looked for market share and margin momentum. The report suggested that VW was on a protracted market chare climb; and while Daimler's share price discounted two years of profit recovery. Salomon was looking for a "very considerable growth" in the Mercedes-Benz share of the passenger car market.

loss-leeders, with Bayern hypo down 66 pfg at Roche certificates fell results. Analysts were fore-DM41.70, and Dresdner 62 another SFr130 to SFr9,400, casting the trading group to

Carmakers took centre stage Stuart Graham at HSBC in FRANKFURT, forecasts James Capel put it down to that Daimler would show a profit-taking. The German profit taking. The German Volkswagen as it unveiled per cent gain in first half earnings, a bond market The duo rose by DM1.06 to rally and a bout of merger

ZURICH was depressed by more disappointing half year results although losses were limited by another forceful performance from Swiss Re, following its acquisition of within a German stock mar- M&G Re. The SMI index fell 29.8 to 3,692.8 as firmer US honds helped to alleviate the effect of a weak dollar.

Pharmaceuticals were under pressure: the Novartis pariners, Ciba and Sandoz, followed the trend established by Roche on Tuesday by reporting disappointing half year figures and fell SFr18 to SFr1,537 and SFr1,439 respectively.

One analyst said, however that the results were unlikely to have a long term impact on the chare price and that investors were more focused on the outlook for Novartis in 1997 and 1998 when the synergies and cost Financials dominated the savings of the combined group would emerge

Roche certificatee fell pfg lower at DM40.40. Mr put under further pressure report a rise in net profits

would hurt earnings. Daiwa Securities fell Y20 to Y1,260

Speculative favouritea

In Osaka, the OSE average

fell 133.64 to 21,760.87 in vol-

SYDNEY took heart from the

ume of 46.6m shares.

Roundup

declined Y30 to Y1,920.

YT 520

index

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Open 10.30 t1.00 12.00 15.03 14.00 15.00 Closs Hourly changes FT-SE Eurotrack100 1890.72 1890.86 1690.75 1690.61 1690.40 1690.61 1690.00 1660.30 FT-SE Eurotrack200 1731.81 1730.64 1732.61 1732.8 1731.36 1731.22 1732.47 1732.81 Aug 22 Aug 21 Aug 20 Aug 27 Aug 28 1657-29 16651.71 1726.62 1734.95 1983.11 1729.63

gar Stanley.

Another of the day's balf year reporters, Alusuisse, fell SFT10 to SFT940 as its first half profits rise failed to match expectations.

Against the trend, Swiss Re picked up another SFr15 to SFr1,315 on expectations that this week's purchase would prompt upgrades of But Nutricia added analysts' estimates which another FI 4.90 to FI 228.60. would, in turn, support a further rise in the share AMSTERDAM was satis-

fied with itself although much of the session's activity appeared to have come from domestic retail inves-tors. The AEX index rose 2,97 to 563,28.

Hagemeyer, advanced F13.30 to F1130.80 ahead of today's release of first half results. Analysts were fore-

by e downgrade from Mor- per share, at the interim stage, of between 16 to 21 per

> Stork, the industrial systems and services company, dipped 90 cents to F1 52 as its interims came in et the lower end of expectations. BolsWessanen was another loser, off 90 cents at F127.50 on a similar theme.

> mainly on retail interest, in continued reaction to last. Friday's interim results and full year forecasts. Some brokers were now forecasting s year end level for the shares of around F1 250.

PARIS remained under sure as the franc continped to weaken and the possi bility of strike action this autumn began to grow. The CAC-40 index eased 15.09 to 2.002.90.

Corporate news was thin on the ground with a num-

reported a sharp increase in

profit ettributable to share-

Poor earnings continued to

plague H-shares. Hwa Kay

Thai Holdings fell 22 cents to

an all-time low of 54 cents on

plans for a rights issue and

SINGAPORE was led

& Neave which

lower by falls in Cerebos and

pushed the Straits Times

Industrials index down 11.57

sharply lower earnings.

to 2,159.88.

react to stories which had developed earlier in the week. Scor, for instance, continued to rise, up FFr6 or 3 per ceot to FFr208 on speculation that it could become a takeover target, possibly for a US group, should there be a shake-up in the relosurance sector following the renti

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Swiss Re news. MADRID featured Goldman Sachs and HSBC James Capel buy recommendations for Ence and Acerinox. The paper and pulp group rose Pta85 or 4.6 per cent to Pta1,915, and the stainless steels producer by Pta450 or 3.3 per cent to Pta14,190 as the general index closed 0.67 higher at 358.48.

TEL AVIV was set alight by Africa Israel Investments which went limit up again, 10 per cent higher for the second day running at Shk469,477 oo rumours that the entrepreneurs, Mr Motti Zisser and Mr Eitan Wertheimer, were buying shares in the company in a tactical maneouvre. The Misbtanim index leapt 4.77, or 2.7 per cent to 179.75, in turnover up Shk30m at Shk87m.

ritten and edited by William Cochrane, Michael Morgan and

KUALA LUMPUR cootin-

ued to focus on small-capital-

isation, speculative issues.

boosting the second board

index by 4.63 to a third con-

secutive closing high of

541.75, while the composite

SEOUL's composite index

hit a 34 mooth low, as wor-

ries of an economic slow-

down and stock oversupply

deterred investors. The com-

posite index was off 8.40 at

753.35 as investors took a

dim view of plans by Hyun-

dai Electronics to go public

's hard cur-

in November.

index eased 1.12 to 1.111.33.

Robust industrials take S Africa forward

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

+23.3 +10.6 +52.9 +8.2 +14.0 -22.5 +21.3 +25.5 +12.2 +0.4 +16.4

% Change % Ch

+1.2 +1.9

Posters and excelered at end-week, and weekly charges are percentage investment from the previous Priday. Base claim: Dec 1986-100 empt three meted which are (1966-1 1991, (1906-31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (3)Jan 3 1992; (5)Jan 4 1991; (7)Nor 6 1992; (5)San 26 1931, 1984a 1 1991 (10) Dec 31 1992, (1)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Jan 2 1992; (14)Dec 31 1992; (15)Jan 2 1992; (14)Dec 31 1992; (15)Jan 2 1992; (15

7.2 per cent, year on year, against analysts' expectations of 5 per cent.

• Goldman Sachs is optimistic about the prospects for emerging markets throughout the rest of the year. Mr Steve Einhorn, a Goldman analyst, forecasts

that Asia and Latin America should deliver total returns of between 20 to 25 per cent over the next 12 months, compared with an expected US equity market

765,86 362.02

713.39

558.94 216.60

97.81 314.73 141.47

90,17 110,17

315.73 238.54

92.57

133.58 74.20

212.28

134.27

Jobanoesburg was carried bigher by e further positive response to comments on the outlook for the economy by the reserve bank governor, Mr Chris Stals on Tuesday. The overall index rose 63.6 to 6,679.7 and industrials rose 38.4 to 7,837.9. Golds, just 1.2 bigber at 1.786.9. were in the doldrums in response to a bullion price that proved

unable to hold above \$389 an ounce.

(31) (68) (43) (15) (66) (21)

Market

Colombia

Peru

China*

South Korea

Indonesia*

Malaysia Pakistani

Thailand

Poland^a

Turkey

South Africa®

Czech Rep

Latin America

Jobanoesburg was carried higher by e Anglo American jumped R8.25 cents or robust performance among industrials in 3.2 per cent to R268 as investors awaited a statement, after the market closed, that confirmed so agreement for the National Empowerment Consortium to huy part of Anglo's 48 per cent stake in Johnnies Indus-

Analysts noted that the deal represented hy far the largest black empowerment venture to date. Johnnies gave up R2.25 to R56.

1,102,31 1,802,49 329,70 5,576,29

1,280.04

Local currency terris

+22 +3.4 +1.0 +0.6 +3.1 +1.6 +0.0 +2.9

+B2.8

+51.6

August 23rd % Change % Change 1996 over week on Dec '95

ASIA PACIFIC

Nikkei in third straight loss on tankan

Corp pot on 20 cents at

A\$6.83 on a combination of

ADR strength, and bargain

WELLINGTON saw heavy

buying of the market leader,

Telecom, 14 cents up at a new NZ\$7.00 peak, as the

NZSE 40 capital index closed

21.43 higher at 2,240.49, Turn-

BANGKOK bet that key

indicators, due today, would

show an improving econ-

Japanese tonkon and the omy. The SET index ended Sembawang picked up 30 Dow. The All Ordinaries 11.25 higher at 1,105.84 in cents to S\$6.76 amid

hunting after sharp, post-re-suits selling last week.

Worsening husiness confi-Terazono in Tokyo.

The 235 index declined

The weaker-than-expected headline figures for the tankan - the central bank's quarterly survey of business confidence - confirmed that monetary policy would not be tightened and initially spurred huying. The diffusion index for leading mannfacturers which indicates sentiment fell to a minus ? from minus 3 in the May sur-

However, concern over a weak recovery later set in, said most investors would remain cautious until the release of interim earnings reports by leading corpora-

lost ground. NEC fell Y10 to Y1,180, Hitachi Y8 to Y992 and Matsushits Electric

Latin America has been enjoying a renaissance over the last few months with Mexico, Brazil and Venezuela all showing significant dollar gains among the IFC's constituent countries, writes John Pitt. According to Foreign & Colonial, the UK-based fund managers, on a year to date basis Latin America has outperformed Asia hy more than 11 per cent.

"This rether large gap runs against the popular wisdom that the superior growth rates of many of the south-east Asian economies necessarily produce superior stock market performance," says F & C.

Mexico, in particular, has been showing economic resilience, with recent second quarter GDP data providing evidence that the economy is recovering faster than had been expected. The numbers revealed that growth had been in the order of 7.2 per cent, year on year, against analysts' expectations of 5 per cent. East Japan Railways retreated Y3,000 to Y516,000 following the auction results for West Japan Railways which will be floated par-tially in October. The weighted average of the bids eccepted for JR West shares return of between 10 to 12 per cent.

Among the reason given for this performance is an expectation that corporate profits in Asia should advance by some 18 per cent in 1997, after a 15 per cent rise during 1996. In Latin America, Mr Einhorn expects a 15 per cent increase in company profits, against a 25 per cent rise in 1996. This compares with forecast US corporate growth of 10 per cent both this year and next. was Y357,378, making the stock more attractive than JR East in valuation terms, said traders

the recent decline in Tokyo

Tokyo

200.46 to 20,709.81 after moving between 20,660.77 and 21,039.79. The Topix index of all first section stocks lost 11,00 to 1,572.12 and the Nikkei 300 fell 1.86 to 292.63. Volume totalled 268m shares against 202m. Declines led advances by 794 to 234 with 166 unchanged.

In London, the ISE/Nikkei

vey, its first fall in a year.

High-technology stocks

Brokers fell on fears that

rose 46 ceots to S\$3.46

and Nomura Securities dence was revealed by the Bank of Japan's quarterly were actively traded with TYK, the most ective issue survey and the Nikkel average fell for the third consecutive day, writes Emiko of the day, falling Y30 to

prompting profit taking and index-linked selling. Traders tions in the autumn.

Industrial Y10 to Y1,890.

1	index rose 21.9 to 2,384.2 in	turnover of Bt3,2bn.	rumours that it planned a	SHENZHEN'S hard cur-
	turnover of A\$654m.	HONG KONG erased early	takeover bld for Jurong	rency B index fell 2.59 or 2.9
i	In golds, Libir rose 15	losses and the Hang Seng	Shipyard. Jurong rose 40	per ceot to 87.80 as the mood
	cents to A\$2.53 on news that	index finished 40.56 higher	cents to \$\$6.45. Ana Hotels,	was dampened by poor
ì	its Papus New Guines mine	et 11,379.49 in turnover of	another rumoured target,	interim results.

First six months 1996

would come on stream ear. HK\$3.7bn. Citic Pacific rose

lier than expected. News 20 cents to HK\$34.60 after it

very good result:

net profit +28% to NLG 1,514 million

fin millions of guilders. everyl for amounts per share)	First six mouths 1996	First six months 1995	٠.
Result before taxation: - insurance operations	1_t62	995	16.8
- banking operations	t.019	732	30.2
Net profit	t,5t4	1.184	27.9
Profit per ordinary share	2.t2	1.74	21.8
Interim dividend per ordinary share	0.83	0.75	111.7
	30 June 1996	31 December 1995	
Total assers	439,316	396.264	10.9
Shareholders' equity	28,863	23,777	21.4

his ING Group has achieved a very good result for the first six momhs of 1996. Profit from the banking operations was substantially higher than for the first six months of 1995. The results of the insurance operations showed a considerable growth compared with the favourable first six months of 1995. It is not to be expected that the percentual increase in Group profit for the first half of 1996 will be equalled for the second half.

. In iosurance, the result before taxation rose by 16.8% to NLG 1.162 million: life profit grew by 18.1% to NLG 587 million; non-life profit improved by 1.6% to NLG 187 million and the result from insurance operations - general increased by 23.6% to

3. In banking, the result before taxation rose by 39.2% to NLG 1.019 million. The interest result rose by 9.6% to NLG 3,393 million. Commission income increased by 45% to NLG 1.288 million. The result from financial transactions more than doubled: from NLG 208 million to NLG 534 million.

Ecompared with the end of 1995, shareholders' equity increased by NLG 5.1 billion to NLG 28.9 billion, mainly due to higher share prices of equity investments on the insurance side (NLG 3 billion) and retained profit for the first six months of 1996. Shareholders' equity per share rose from NLG 33.32 at the end of December 1995 to NLG 39.05 st the end of June 1996 (+17.2%).

Despite the increase of the share capital due to stock dividends and the exercise of warrants, the Executive Board expects that, based on the present perceptions and the results achieved for the first six months of 1996, profit per share for 1996 will be higher than the 1995 level.



The report for the first six months 1996 can be obtained at the following address: ING Group, P.O. Box 810, 1000 AV Amsterdam, The Netherlands, Telephone: (+31) 20 541 54 71. fax: (+31) 20 541 54 51.

FT/S&P ACTUARIES WORLD INDICES The F7 Sair Actuation World Indices are owned by F7 SE international Limited, Goldman, Sector & Co. and Standard & Poor's. The indices are compiled by F7-SE

- TUESDAY AUGUST 27 1996 -

Figures in parentheses U	12 0	Day's	Pound			Local	Local	Gross	US	Pound			Local			Year
	allar Ci 30x	hange	Sterling Index	Yen	Index	Currency Index	% chg on day	Div. Yield	Doller Index	Sterling Index	Yen	Index	Currency 5	2 week 5 Nigh		(septemb)
Australia (78) 200	3.52	-1.5	133.96	138.62	156,35	171.94	-1.3	4.40	206.65		140.59			212.18	179.77	181.91
Austria (24) 181	1 13	07	172 62	123.37	139.15	139.07	06	2.02	179,85		122,43		138.22	185.04	168.11	181,30
Bolgium (27)	7.66	-D 4	207.62	148 39	167.37	163.58	-03	4.07	218,50			166.07		218.89	187.17	187.85
Brazil (28)	5 CC	1.4	166.79	118,21	134,46	327,15	1,5	1.95	172.54		117,38			189.70	123.97	
Canada (118)		00	156 30	111.71	126.00	162.40	-0.2	2.21	183.96		111.55	125.01			134.14	
Denvinsk (30)320		0.2	305 09	219.05	245.94	248.58	0.2	1.85	318.41	304,16	217.31	245,48			276,89	
Findens (73) 211	1.52	0.2	201 58	144 07	162,50	196.91	0.1	2.51	211.09		143.62	162.24			171.73	
France (94)		-D.2	183 12	130.87	147.61	152,38	-0.1	3.15	192,58		131.02	148.01		198.39	187.70	
Germany (58) 173		2.3	168.90	120.71	136.15	136.15	0.2	1.80	178.74		120.24			177.23		
Hong Kong (59) 436		-0.6	414.78	280.44	334.37	432.07	-0.6	3 41	437.70		297.85		434.61	451.1e	354.06	354.06
indonesia (27)		-03	162.67	130.69	147.41	275,63	-0.4	1 72	192.51	163.32	130.97		276.85			
iretand (16)		04	274.28	196 02	221,10	250.58	0.4	3.48	288.75	273.08	195.00	220.38			238,42	
hat, (SE)		0.7	73.53	52.41	59,11	96,90	9.0	2.48	76.44	72.79	52.00	58.74	86.24	54.53	67.22	
Japon (481)		-0.1	140.70	100.55	113 42	100.55	0.0	9.76	147.60	140.74	100.55	t 13,59			137.75	
Makey Ses (107)		-0.3	527.11	376.72	424.91	531,12	-0.3	1.70	554.93		377.54	425.49			425.77	
Merco (191 1315	5 74		1254.09			10815.31	2.1	1.23		1229,93			10594.69 1			1129.98
Nethoriand [19]		03	287.33	205.35	231.63	229.06	0.4	3.24	300,67	296.31	204.58		227.22	304.24	248.70	248,78
New Zostond (15) 85	5.06	-0.3	81.64	58.35	65.01	65.66	-0.t	4.16	85,85	51.84	58,47	85.05	65.71	86.09	75.94	78.58
NOTINED (35)	9.85	-0.4	237.16	69,49	101.18	216.67	-0.2	2.09	249.89	237.96	170.01			256.94	222,24	227.97
Physpenes (22)	3.36	-0.3	196.06	140.55	158.53	269.33	-0.3	0.81	207.01	197.13	140.84	159.10	270.24	-	_	_
Singopore (44) 400	0.68	03	381.85	272.90	307.82	259.98	0,3	1.47	399.46	380,39	271.77	307.01	250,28	465.27	360.49	3\$5.\$1
South Africa (441 331		15	315.52	225.50	254.35	327.26	1.3	2.30	325.30	310,72	222,00	250.78	323.11	437.75	314,20	349.44
Spain (37)	3.39	0.8	170 96	122 18	137.81	169,75	0.8	3.44	177.97	189,48	121.08	135.78	168,43	163.65	145.15	153.29
Sweden (48)		9.6	347.22	248.15	279,90	355.87	1.0	2.40	361,42	344.17	245.80	277.77	352.27	354.34	281.95	285.35
Swazerland (37) 254	1 34	01	242.39	173.23	195.39	188.21	0.2	t.58	254.05	241.93	172.84	195.25	187.81	254.34	195.92	195.92
Thailand (45) 144		0.1	137 63	98.36	110.95	141.67	01	2.38	144.24	137.35	95.13	110.85	141.55	195.05	t30.75	186.64
United Kingdom (200) 245		-D.1	234.41	167.53	188.96	234.41	-0.1	4.07	248.35	234.59	187.60	189.33	254.50	246.35	215.5E	220.47
JSA (675)271		94	258.76	184.94	208.60	271.54	0.4	2.17	270.49	257.58	184.03				228.19	
Americas (790)248	3.43	0.4	236.75	169.20	190.85	208.88	0.4	2.16	247.45	235.64	158.35	190.18	208.08	252.43	209.51	209,57
Europe (706)		0.1	206.42	147.53	166.40	185.87	0.1	3.07	218.42	208.09		186.33	185.59		180,62	
Narcic (136)		0.5	300.08	214.48	241.90	268.82	0.7	2.29	313.30	208.34	213.15		257.00		261.13	
Dacific Basin (378)		-0.2	153.77	109.90	123.96	112.22	-0.1	1.24	161.71			124.28	112.35		145.86	157.41
		-D.1	175.58	125.49	141.54	140.02	0.0	2.13	184.38			141.70	139.39		186.51	171.27
uro-Pacec (1584)184			252.52	180.47	203.56							202.89	263.36		223.24	
North America (743)264		0.4				264.30	0.4	2.17	254.00							
urepe Ex. UK (506)		20	186.56	133.33	150.39	158.31	0.3	2,51	195.34	198.01	132.90				189.85	
Pacific Et. Japan (397)286		-0.7	272.92	195.05	220.01	247.21	-0.5	3.07	288.28	274.52		221.58			243.59	254.67
Nortd Ex. US (1793) 185		0.0	176.82	126.37	142.54	144.67	0.1	2,13	185.57	175.71		t42.62			167.36	
North Ex. UK (2219)208	192	0.2	199.10	142.29	160.50	175.94	0.2	1.85	208.53	198.58	141.87	150.27	175.54	213.05	185.61	186.82
World Ex. Japan (1937)247	.16	0.2	235.54	168 34	189.87	232.92	0.2	2.53	246.60	234.83	t87.77	189.52	232.04	247.55	213.12	213,57
The World Index (2418)212		0.1	202.16	144,48	162.98	181.15	0.2	2.15	211.90	201.89	144.10	152.78	180.79	214.95	188.71	189,58

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NEWS: THE AMERICAS

Convention on track for final acts

By Jurek Martin in Chicago and Patti Waldmeir on the 21st Century Express

> The Democratic party convention moved yesterday to its final acts, the nomination last night of President Bill Clinton and Vice President Al Gore as its national ticket and the president's acceptance speech tonight.

It did so on an upbeat nota. Tuesday night's session had seen two of the party's greatest liberals, the Rev

governor Mario Cnomo of New York, declare it was far more important to re-elect the president than disagree with him over walfare

The convention then gave an ecstatic welcome to Mrs Hillary Rodham Clinton, the First Lady whom Republicans constantly criticise. Her measured speech, as important a public performance as any she has given since the TV interview that helped rescue her husband's flounof the right public and pri-vate sector initiatives to protect the interests of children. There was also fragmen-tary evidence that Mr Clinton was widening his lead in

the opinion polls over Mr Bob Dola, the Republican candidate. An ABC "tracking" survey pnt him 15 points ahead, though another still had the gap in singla digits. But polls taken during

arrive in Chicago last night from his four-day train trip on the 21st Century Express through the Midwest in time for tha traditional roll call of tha states and for Mr Gore's conventions are notoriously main speech of the week.

ently short-lived rise while the Republican convention concerned the environment specifically a new \$2bn toxic was taking place in San waste clean-up programme. On Monday he had addressed crime and on Diego two weeks ago. An accurate assessment of the margin between the two may Tuesday unveiled another not be clear until next week. \$2bn programma to combat Mr Clinton was due to illiteracy.

There ware also unconfirmed reports that Mr Clinton was contemplating annexing another article of the Republican creed, lower capital gains taxes, though the principal beneficiaries

Mr Gore, the early favourite to be Democratic presi dsntial candidate in the year 2000, has been in ebullient form all week. Ha can be expected in his speech to reinforce the president's message that the Democratic administration has a proven and innovative policy record that makes it hetter equipped to deal with future problems than the "extremist" and risky tax-cutting alternatives offered by the

stop at Wyandotte, a metal-

bashing suburh where there

White House officials said

the decision was made

because medie deadlines

made the stop necessary.

The president wanted to

dominate the daytime head-

lines before the evening ses-

sion of the Chicago conven-

first presidential visit and

the president got maximum

publicity for his announce-

for American schoolchildren.

and Royal Oak, Michigan,

that evening - was to prove

But one elderly lady in the

Wyandotte crowd probably

had the last word for many: "We don't believe all that,"

she said, as she left clasping

the hand of a cranky five-

year-old grandson. "We just

come to take a look at him."

Seventy days will pass

before Mr Clinton knows for

sure whether the elderly

ladies of Wyandotte, the car

workers of Toledo or the

Americans.

His goal in Wyandotte.

are many Republican voters.

master slick presentation Jurek Martin on how style

substitutes for substance

Democrats

It has been eaid that Democrats, like hlondes. havs more fun, but their public disagreements generally compared unfavourably with the Republicans' smooth management of conventions.

There was evidence that this was changing in 1992, when the professionally produced Democrat convention in New York stood in sharp contrest to the divisive Republican mess in Houston. Half way through this week's gathering, it is now reasonable to conclude that the Democrats have become better at presentational style than the Republicans.

This time the Democrats tion. So Wyandotte got its have the advantage of performing on two stages - the convention itself and the ment of e literacy campaign midwestern train trip which brought President Bill Clinton to Chicago last night and which has, by all eccounts, received saturation and Michigan – as in Toledo, Ohio, early that morning favourable local media coverage in all the electorally important etates through that government could make which he has passed. ltself useful to ordinary

But the events in the United Center, where Michael Jordan soars and swoops to the basket over 50 times a year for his champlonship Chicago Bulls, have been well enough managed not to take second place.

Nothing illustrated that better than Tuesday night's often electrifying session. It put on display three liberal Democratic icons - the Rev Jesse Jackson and former Governor Mario Cuomo of New York, the most passionate orators the party has produced in a generation, and Mrs Hillary Rodham Clinton, the president's wife, who, in the eyes of 4,000 delegates, can do no wrong.

Each commanded prime time TV attention, the first

The First Lady neither She is a controlled, articulate speaker and she stuck to her predictable message. mostly that there was no greater social avil than neglect of children. Although she referred frequently to the First Daugh-ter, Chelsea, and cracked a conple of early jokes, her approach was somewhere between the professorial and the parental, didsctic but with moments of warmth.

San Diego, she did not emotionally extol the merits of her husband as "a modest man". Instead she talked of him as "the president" or "Bill" and praised his poli-cies and leadership as appropriate for the future. She thus came over as the loyal wife hut without sacrificing the liberal social causes that his policies have not always completely reflected.

She was, nsturally, received with rapture by the floor, hut it was enthusiasm of a different nature from the greeting accorded the great libers! warhorees, Messrs Jackson and Cuomo. Nelther ducked the fact

they disagreed deeply with the president's signing of the welfare reform bill last week. Mr Jackson dwelt on the "canyons of deepair" that are America's welfaredependent inner cities, while Mr Cuomo said that no bill, "whatever its political benefits", was worth putting childreo at risk.

But both said Mr Clinton could make a bad bill better if re-elected, as he is already promising to, and both endorsed him in terms that could make even a president accustomed to flattery blush. To Mr Jackson, he was "an enlightened president" and

"our first line of defence against the New Cingrich contract". That, Mr Cuomo said, was as critical as hewing to old liberal values, since "being faithful to princlple means more than guarding the museums of past policy".

Both showed all their old rhetorical skills, none more than in knowing how to finish in rhythmic style. When Mr Cuomo reached his pounding crescendo, "four more years, what do you say?" the delegates leapt out two by their rhetorical ruf-of their seats, forgetting in fles and flourishes and Hil-their enthusiasm that that lary, the woman the country chant was first coined for the re-election of the infe-

mous Richard M. Nixon. As a show, it is all playing well enough not merely to the converted, looking forward to the first second-term Democratic president since Franklin Roosevelt 60 years ago, but even to the perennially and properly cynical media. At least none have packed up and gone home, as one famous anchorman did half way through San Diego, declaring, "There is not be much of it, but the presentational illusion can Unlike Mrs Liddy Dole in afford some compensation.

Jesse Jackson and former dering campaign early in volatile, as was shown by Mr Yesterday the president's Clinton on whistle-stop tour to future

By Patti Waldmeir

President Bill Clinton is

addicted to crowds. Throughout tha unpretentious heartland of America, President Clinton has touched the fingertips of his people, and visibly drawn strength from them. After a four-day journey through the Midwest he will speak to the Democratic convention in Chicago tonight high on the best tonic known to politicians: a dose of mass adula-

With the boyish enthusiasm which has become his political signature, the president bounds down from his campaign train to press every bit of flesh he can

Mr Clinton has stood on the back platform of President Harry Truman's 1948 campaign train and beamed at the people of the rejuvenatad Rusthelt, passing through Ohio towns where even the smokestacks bave

"Hello! How ya doing out there? Thank you VERY much!" he exclaims, with a thrill in hie voice which even the best performance artist would find hard to fal-

this week. So is Al Gore, the only

difference being that the current vice president has his eyes on the

But he is not alone either.

Almost as visible as the presiden-

tlal ticket in public appearances and in working convention dele-gate rank and file is Congressman

Richard Gephardt of Missouri, now the House minority leader and

odds-on favourite to be its next

Speaker if the Democrats regain

control of the chamber in Novem-

Nor does the great guessing game, inevitable since this conven-

By Jurok Martin

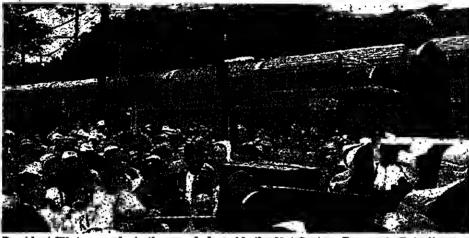
year 2000.

nice family!" the president cries, his remarks broadcast by microphone to the curious at rail-sida. The First Citizen'e Arkansas drawl. broader than ever in this setting, makes him sound like a caricature of a Southerner in

this land of the nasal twang. The effect is engagingly natural - like the whole of tha presidential performance. For this president has got spontaneity down to an art: he holds what are billed as - and what sound like - "conversations with the American peopla", leaning casually on the podium: chuckling gently at his own jokes, gesturing artlessly, if perfectly on cue.

As he greets invited guests on stage, each handshake is unique, and requires both hands: tha right does the main business of shaking, while the left is used to intensify the intimacy. One of the rally props was Mr Clinton'e 96-year-old former nanny, Ertha Clay, who said he was "a good baby". All the while, his grey-blue eyes hold the potential voter rapt. with their muscular gaze.

hoth hands, and huge.



President Clinton speaks to the crowd alongside the 21st Century Express in Detroit

all those who have strained forward to touch him. But many of the tens of thousands who have lined tha railway sidings, or stood for long hot hours at rallies. came out of curiousity rather than political commitment. Many are at hest reluctant Clinton voters. Some will not vote for him at all. But all have come to see their president, and he has used the advantage of The president has needed incumbency hrilliantly to

and five have made it all the way,

albeit, in the cases of Harry Tru-

man, Lyndon Johnson and Gerald

Ford, initially through the death or

resignation of the president him-self. No other political job has such

Mr Gore is generally reckoned to

have been a good vice president,

both as the steady foil to Mr Clin-

ton's intermittent flightiness and

as a policy force in his own right.

Mr Clinton has ceded his number

two substantial responsibility in

areas ranging from downsizing

government, through the environ-

ment and telecommunications, to

e success rate.

ernor Evan Bayh of Indiana, Tues- from the pole position.

day) night's keynote speaker, is

Bill Clinton is not the only man only 40 and known to have his eyes

Seven of the last 11 vice presidents have gone on to be nomi-

running for president in Chicago on higher office beyond the Indiana nated as either the Republican or this week. So is Al Gore, the only Senate seat that is up in 1998.

Other better known names get

tossed around. Messis Bill Bradley

and Sam Nunn, of New Jersey and

Georgia respectively, may be leav-

ing the Senate this year but, in

their mid-50s, are too young to leave public lifa. Senators Chris

Dodd of Connecticut, now joint

party chairman, and Dianne Fein-

stein of California hava expressed

guarded interest, as have some

who have run before, like the Rev

Jesse Jackson and Senator Boh

now 48 and ensconced the prover-

History alone suggests Mr. Gore.

Kerrey of Nebraska.

whistlestop odyssey on the erage in these Midwestern 21st Century Express is "my idea of heaven", and his advisers would scarcely dissent from that judgment. The president likes the human contact; he keeps saying he undertook the journey "selfishly" because he wanted to "look into the faces and the eyes and the hearts of the people I've been working for for the past four years".

His advisers see the trip as a tactical coup: local media Mr Clinton has said his have given it saturation cov-

Balkans.

swing states which Mr Clinton must win to capture the election, Local television stations have provided live coverage of the presidential morning jog and by broadcasting live speeches punctuated by cheers, they have saved his campaign hundreds of thousands of dollars in advertising.

The needs of the media have even determined the route of this nostalgia journey to the future. Asked why the president had chosen to

Gore has his sights fixed on campaign 2000

The vice president is also an under-rated player of the media game, neatly turning a reputation for woodenness into an effective droll and deadpan style. When the president was at an emotional low point following the Republican congressional landslide in 1994, it was Mr Gore who took regularly to the airwaves to fire

the first volleys against the opposition's "extremism". All this combines to give him a considerable edge over possible challengers four years hence, if Mr Gore, like Mr Clinton, is a product of the thoroughly modern and centrist Democratic Leadership Council, Mr Gephardt, now 55, is proud foreign policy, with Mr Gore a gen- of his ties to the old Democratic

uine force behind the scenes on left and would surely base any relations with Russia and over the campaign on the restoration of lost two by their rhetorical rufvalues.

> Thus, on behalf of the labour unions, ha fought hard against either loves or hates, hy sim-Nafta and Gatt ratification and ply showing up. most recently voted against welfare reform. (Perhaps significantly, surprised nor disappointed. it is Mr Gore who has been promising recently that in a second Clinton term the administration would work to ameliorate some of the act's more radical components.)

Mr Gephardt ran for the nomination in 1988, as did Mr Gore, but decided not to compete four years later because he, like many other prominent Democrats, considered President George Bush unbeatable. Mr Clinton concluded otherwise and the rest is history, including the opportunities presented to the current vice president.

tion is without suspense, lack for bial heartbeat away from the presiother White House wannabes. Govdency, would be tough to move claim is denied

The US Defence Department was not made available to denied yesterday it had suppressed a 1991 classified report suggesting US troops had been axposed to Iraqi chemical wcapons during the Gulf war, Router reports from Washington.

However, the department conceded that "the full relevance of the report .. was oot recognised at the time" and was not investigated until this year, providing indications that perhaps 150 soldlers had been exposed to chemical agents when they blew up the Kamisiyah ammunition dump in southern Irac.

The document, based on a visit by United Nations inspectors to the Kamisiyah weapons complax in 1991.

the US engineer hattalion involved, or to the public, while the Defence Depart-

cal arms. But officials denied that many of the soldiers who destroyed the arms depot had since developed debilitating medical problems that the soldiers claim might be linked to exposure to chemi-

screenings to detarmina

ment repeatedly suggested it had no evidence that large numbers of US troops might have been exposed to chemi-

cal weapons. Nearly 60,000 other veterans of the Gulf war have asked for special health

whether they were suffering from ailments related to their service in the Gulf.

The Financial Times plans to publish a Survey on Denmark on Friday, November 22

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FT Surveys

Chemical weapons White House offers deal to tobacco industry

By Richard Tomkins in New York

The White House yesterday extended a peace offering to the US tobacco industry by offering to back down from its demand that cigarette makers should be regulated hy the Food and Drug

The White House press

secretary, Mr Mike McCurry, sales, the industry vowed to eble," Mr McCurry said. said President Bill Clinton would be willing to reach agreement on how to curb sales to under-age smokers without bringing the industry under the FDA's jurisdic-

Last week, following Mr Clinton's announcement of tongh new restrictions on cigarette advertising and gation, that would be prefer-

take action in the courts to hlock FDA regulation. Yesterday Mr McCurry indicated the White House

would drop its demand for FDA regulation if the tobacco industry accepted new legislation enforcing the curbs. "If we could get this done without prolonged liti-

because the FDA has the power to ban harmful products, theoretically anahling

it to prohibit cigarette sales. ers. Philip Morris said it was

Howaver, the president's offer appeared to divide the two biggest cigarette mak-

The tobacco industry is

determined to fight off the threat of FDA regulation would prefer to continus the battle in the courts. Separately, Mr Richard

Scruggs, a Mississippi antitobacco attorney, has this week floated e plan that would protect cigarette mak- dividend, Page 13

House statement and would be "willing to find common of \$6bn to \$10bn a year, part ground on the issue" but to be used to reimburse RJR Nabisco indicated it states for treating smokingrelated diseases.But again the plan seems unlikely to succeed because the industry believes it will be better Philip Morris raises

Boost for US lysine 'price-fixing' inquiry

By Laurie Morse in Chicago

The US Justice Department's investigation into alleged price-fixing by the interna-tional food company Archer Daniels Midland has been boosted by plas agreements with three of ADM's rivals in the \$600m lysine market. Three companies, two Jap-

se and one New Jerseybased South Korean subsidiary, and three of their executives have admitted they conspired to fix prices to sliminate competition and allocate sales in the market for lysine, an amino acid used as a feed additive to enhance growth in livestock. In addition to paying fines, tha companies and the individuals are co-operating with the Justice Department's investigation into alleged

lysine price-fixing. ADM was not named specifically in the government complaint released on Tuesday, though documents referred to an "unnamed coconspirator". ADM did not return phone calls seeking comment on the lysine plea

first action against international cartel activity in the food and feed additive industry. It sends a message to the entire world that collusive behaviour that harms US consumers will not be tolerated," said Mr Joel Klein, Acting assistant attorneygeneral in charge of the Department's Antitrust Divi-

ADM, based in Decatur, Illinois, produces about 47 per cent of the world's lysine. Two years ago, an ADM executive, Mr Mark Whitacre, became an undercover agent for the FBI, making audio and video tapes of meetings with competitors and conversations between ADM executives.

Tha government's pricefixing case etalled when ADM accused Mr Whitacre of misappropriating millions of dollars, damaging his credibility. With the foreign companies and their employees now co-operating, federal officials will no longer have to rely on Mr Whitacre as their chief witness.

"This is the Department's with wrongdoing but law yers familiar with the case say at least two senior ADM executives expect to be sub ject to criminal indictments soon. They say Tuesday's plea agreements may prompt ADM to settle with the government before indictments are delivered. ADM and its rivals last month agreed to pay \$45m to lysine customers to settle a civil antitrus

The companies and indi

viduals charged on Tuesday were: Ajinomoto of Japan and the former general manager of its feed additives husiness, Mr Kanji Mimoto; Kyowa Hakko Kogyo of Japan and the former gen eral manager of its Agricul-tural Products Department, Mr Masaru Yamamoto Sewon America, a subsidiary of Sewon of Korea, and its president, Mr Jhom Su Kim. Both Ajinomoto and Kyowa Hakko will pay \$10m fines, and Mr Mimoto and Mr Kim will each pay \$75,000 in fines. Sewon America will pay a fins determined by the court: Mr Yamamoto will ADM has not been charged pay e \$50,000 fine.

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FINANCIAL TIMES Financial Publishing

Lloyd's plan wins 90% approval

By Raiph Atkins in London and Richard Waters in New York

The Lloyd's of London ruling council is expected today to declare unconditional the insurance market's £3.2bn settlement offer to its Names after acceptances had exceeded 90 per cent by yesterday's noon deadline.

However, lawyers for the US Names whose court action had in the past week thrown the recovery plan into doubt in the past week, vowed to continue their fight. Names are the individuals whose assets have traditionally supported

Today's council follows a convinc-liabilities. By noon yesterday, 30,918 ng win by Lloyd's in a US appeal Names out of 34,000 worldwide had ing win by Lloyd's in a US appeal court on Tuesday which overturned a ruling won by the rebel Names that had threatened to derail the plan. The council meeting is the first stage leading to formal confirmation thet Lloyd's future is secure after losses of more than £8bn in recent

Later this week Lloyd's is expected to seek the go-shead from the UK Department of Trade and Industry for Equitas, a giant reinsurance company which Lloyd's plans, to take responsibility for billions of pounds of mainly US asbestos and pollution required.

and dies.

work but it is unlikely to be

badly hit. "If you say our side earned £30m-£40m over

four years, that's £10m a

and Clyde & Co's annual turnover is £50m - work it

out for yourself. It's no big

have most to lose from the

settlement is Freshfields, the

firm which helped put it

together. Freshfields -

Lloyd's main legal adviser -

has had more than 75 law-

yers and as many as 20 part-

ners working on the recon-

struction proposals. It advised Lloyd's on the

introduction of limited liabli-

ity capital in 1993; helped

formulate and draft the

reconstruction document;

negotiated the £3.2bn settle-

The firm which appears to

deal," Mr Payton says.

divided by eight firms,

accepted the recovery plan with a further 83 acceptances received by

Among US resident Names, 66.7 per cent had accepted. Lloyd's council is expected to give Names an extra two weeks to accept the offer once it is declared unconditional.

Lloyd's has to settle legal action by Names seeking redress for the es. It must also collect sufficient funds from Names to fund Equitas. This has made it impossible to set a precise number of acceptances

shopping Lloyd's has been buoyed by a Fedhopes eral appeals court ruling in Baltimore which overturned a ruling, issued in Richmond, Virginia the boosted previous Friday, which for the first time put Lloyd's within the scope of US securities laws.

Online

By Alan Cane

or debit card.

Uanet Plpex claimed

yesterday that its new sys-

tem for "secure shopping"

on the internet not only met

widespread concerns ebont

security on the Web but was

safer than huying by phone

or in e shop using e credit

The company, the UK sub-

sidiary of MPS, the US tele-

coms operator acquired eartier this week by WorldCom

of the US, believes its sys-

tem is ahead of US developments. Netional Westmin-ster Bank, of the UK, will

act as the clearing house for

online debits and credit card

will enable those trading on the Web to take advantage

of an established payments

mechanism without paying to build their own.

Bureau will pay the com-

pany 5 per cent of the pur-chase value of each transac-

tion. The system is activated

when a customer presses a

"buy" key and enters his or her credit card data. The

information is stored

curely by Uunet and Nat-

West is instructed to pay the

retailer for the goods pur-chased. When the deal is

complete, an electronic con-

firmation is generated for

Mr Richard Nnttall, Uunet

Pipex director of electronic

commerce, said: "We have

created a comparatively low

cost system that is more

secure than buying goods on

an ordinary credit or debit

card by phone or in a shop."

Four traders have signed up.

Online electronic com-

merce is thought to be

worth \$300m amually, rising to \$800m by 2000.

Mr Susen Sarkar of Ovunn.

the London technology con-

sultancy, said: "The launch

of The Bureau will ... re-

move anxieties for both mer-

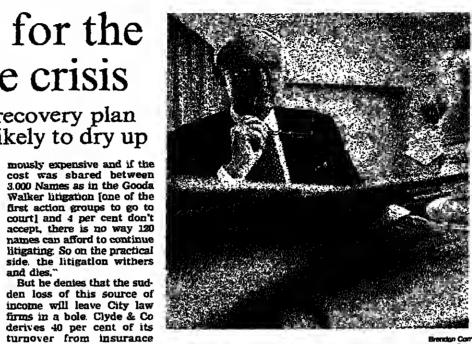
but decline to be named.

customer and retailer.

Internet traders using The

Uanet Pipex, one of the

However, Mr Steve Clay, a lawyer at Kilpatrick & Cody in Atlanta, said the Names which brought the case would take further action by the end of this week - either taking the case to the Supreme Court, filing a new action or pursuing other routes. The Names would continue their action. even if Lloyd's declares its recovery scheme unconditional. Mr Clay said.



Michael Payton: believes most actions will come to an end

ment proposals; handled the litigation against LLoyd's itself, including the Clementson anti-trust litigetion, which accused Lloyd's of and did the legal work on

Its reward for all this is hetween £30m and £40m. far and other legal fees assoclated with the reconstruction are put at about £10m. Even though Mr Geoff Nicholas, the partner co-or-dinating the Lloyd's work, says this is the biggest single job the firm has ever undertaken the resolution of the crisis will not leave it with a hig gap to fill.

While £30m-£40m spread over three and a half years sounds a lot, it has to be compared with an annual turnover estimated at more than £140m. If there are firms which are going to take a big hit, it will be the smaller niche practices which have made a speciality out of representing Names, Mr Nicholas says.

UK NEWS DIGEST

Exports halve non-EU gap

The strongest export growth since spring 1993 halved Britain's trade gap with countries outside the European Union last month, official figures showed yesterday. At the same time, better exports to Germany cut the UK's trade deficit with EU countries in June to its lowest level since November last year.

The encouraging picture of UK trade eased fears that robust domestic consumer spending growth forecast by the government this year might cause a sharp deterioration in the trade gap as imports are sucked in but exports falter. It suggested that UK companies are enjoying greater success in markets in other countries in spite of the patchy economic growth in European countries such

The Office for National Statistics said the UK's overall trade gap with the rest of the world was e seasonally adjusted £1.1bn in June, unchanged from May's deficit.

The deficit with EU countries in June was £28m, the lowest since the small surplus recorded in November last year. The trade gap with countries outside the European Union shrank to 50.50n in July from £1.1bn in June - the smallest deficit since May, 1995.

■ OIL PRODUCTION

Norwegian company in £4m deal

largest European Internet service providers, said the system, called The Bureau. A British pioneer in floating production facilities for the fishore oil industry is to become part of Aker, one of Norway's biggest companies.

Aker, an offshore engineering and construction company and a world leader in this field, has acquired 70 per ent of family-run McNulty Offshore Services, on Tyneside in north-east England, for £4m. Its ecquisition strengthens Aker's prospects of winning orders from the UK, one of the world's largest markets for these produc-

PRISON SERVICE

Court to rule on sentencing law

The High Court is expected to rule today on whether the reinterpretation of sentencing law approved by the prison service last week is valid.

The court case is the result of a legal challenge by a prisoner against the decision by Mr Michael Howard, the home secretary, to balt the release of prisoners resulting from the new guidelines.

A total of 537 immates were let out of prisons before Mr Howard stopped the release programme last Friday. Mr Richard Tilt, prison service director-general, has admitted the matter was "gravely mishandled" and accepted full

ROLLS-ROYCE Union leaders in jobs talks

Union leaders from the Parsons steam turbine plant in Newcastle, north-east England, and the international Combustion boiler works in Derby, in the north of England, are to meet senior Rolls-Royce executives today about the company's attempts to sell the businesses which might affect 2,500 jobs. The London meeting, which national officers of the Confederation of Shipbuilding and Engineering Unions will also attend, is on the same day that Rolls-Royce releases its interim results. Chris Tighe

Lawyers braced for the end of profitable crisis

With the insurance market's recovery plan looking secure, legal fees are likely to dry up

ith Lloyd's of London's £3.2bn (\$4.96bn) recovery plan finally looking secure, City lawyers are bracing themselves for a jolt. The Lloyd's legal gravy train is about to hit the buffers.

The Lloyd's crisis has been good to the legal profession. Over the past four years more than 50 UK law firms have been knee deep in Lloyd's related litigation. including the legal costs associated with the construction of Equitas - the run-off company that will reinsure Lloyd's syndicates' liabilities dating back to the 1950s mated to have generated up to £140m in legal fees.

In the US, legal fees have run into millions of dollars and further lingation is in prospect with bardline US Names pledging to keep fighting for full compensation for their losses. Names are individuals whose assets have traditionally supported

By far the bulk of the UK fees - £90m - has been generated by the litigation between Names' action groups and Lloyd's agents, and action groups and the Errors and Omissions underwriters, who provided insurance against damage awards ment. Litigation is enor-

Conference Theme

Data Protection A.s. The ophyraption you provide notif he hold on our decopage and may be used up hone you afformed of your and our assessment communical mountains, and his third owns window

to Lloyd's agencies. By mously expensive and if the August last year. 245 High cost was shared between Court writs had been issued by 27 action groups against 280 defending agencies 50 of which were in liquidation. Since then 17 more action groups have issued writs.

According to Mr Michael Payton, senior partner of Clyde & Co, the City firm which co-ordinated the law firms running the E&O underwriters' defence, legal costs on the agents' and underwriters' side are estimated at between £30m and

The action groups' legal costs are said to be higher still, partly because more law firms were involved in representing them. Lloyd's has egreed to reimburse them up to a maximum of £75m as part of the settle-ment offer, although it says some of that figure relates to the costs of setting up and running the action groups and not just to legal fees,

Militant Names in the UK are unlikely to give up the struggle completely though Mr Payton says the acceptance of the reconstruction and renewal plan will effectively end most actions.

"The polls show that only 4 to 5 per cent of Names will vote not to accept the settle-

FT Conference, London, 12 & 13 December 1996

In the last year pulp and paper prices have been spectacularly

volatile, causing tremendous problems for both producers and

consumers. Is the establishment of a futures market in pulp and paper

a solution - or will it add to the uncertainty and risk? The fifteenth FT

setting up Equitas.

estimated at somewhere Lloyd's estimates the final costs of establishing Equitas et £110m, about 70 per cent of which is actuarial fees. Most of the remaining 30 per cent, £33m, is legal fees, the bulk of which will go to Freshfields. The litigation is thought to have cost the corporation more than £5m so

FINANCIAL TIMES

Robert Rice chants and consumers."

Daewoo plans flexible contracts

By Robert Taylor,

Daewoo Cars, the South Korean company, plans to introduce so-called zerohours contracts for its dealer network in the UK, under which staff would only be paid when needed to collect cars and deliver them to cus-

Its decision is controversial. The opposition Labour Mr Peter Ellis, Daewoo's mature people who are avail-party dislikes zero-bours human resources director, able for work but not neces-

would like to see them out the magazine Personnel said. Mr Ellis added that government

Burger King, the US food chain, aroused widespread criticism last year when it enough to accept such agree-Introduced zero-hours contracts for staff at some of its British outlets. A growing number of companies are using them in their employ-

ment strategies. Mr Peter Ellis, Daewoo's

contracts and trade unions said in this week's issue of sarily anticipating it," he hire older workers who had finished full-time employment and were flexible

> contacted at home only when required.
> "We do not want people simply standing around, so we are looking to employ

ments. The staff would be

third of the workforce would work full-time, with the rest part-time to cover peaks in demand. Daewoo expects to employ 2,000 staff in the dealer network.

The company has already introduced other forms of flexible employment, with part-time working at Its

Blair hunts for ideas from US

The presidential race is sending Labour important signals

US presidential campaign as closely as Mr Tony Blair, leader of the UK opposition Labour party. Britain's general election will fall within six months at most of presidential polling day. And the choice the US electorate makes between Mr Bill Clinton and Mr Bob Dole matters.

At the Republican conven-tion in San Diego two weeks ago, Mr John Major's Conservatives adopted a low profile. An unexpected vic-tory for Mr Dole would provide an important psychological boost for Mr Major, but the UK prime minister has learned the lesson of 1992. The Conservatives' high-profile support then for Mr George Bush was neither forgotten not forgiven by

the Clinton White House. At the Democratic convention in Chicago this week, Mr Blair's party is showing no such reticence. Victory for Mr Clinton in November would signal that, even in the era of small government, parties of the political centre-left can hold on to, as well as win, power. It would reinforce still further Mr Blair's conviction that his party must follow the Democrats into the centre ground. For New Democrat substi-

tute New Labour. Mr John Prescott, Labour's deputy leader, Mr Gordon Brown, the party's finance spokesman, and Mr Chris Smith, its health spokesman, were among a strong Labour contingent at the convention. It is a partly question of picking up sophisticated American campaign techniques. But there are deeper parallels.

the New Democrats as a source of ideas for Labour's modernisation, while Mr Prescott's instincts lie with the liberal wing of Mr Clinton's party. But the British guests have not missed the fact thet Democrats are resting their hopes of re-election on the most conservetive electoral prospectus in the party's recent history. The themes are fiscal conservatism, family values and a tough approach to crime. Grand ambitions have been

The themes are fiscal conservatism, family and a tough approach to crime

replaced by the politics of incrementalism. Of course, the parallels

can be overdone. The Democrats have long been to the right of their British cousins in the Labour party. And a presidential race is qualitatively different to a British general election. It will be e long time before Mr Blair can embrace many of the policies on which Mr Clinton has built his platform. It is difficult to imagine even a Conservative government proposing a reform as tough on state benefit recipients as that signed into law by Mr Clinton last week.

But for all the differences. the similarities are striking. They stem partly from the language the two parties

Mr Brown has long seen now share; opportunity, he New Democrats as a responsibility and community are a mutual mantra. More fundamentally, it is clear both parties are responding to the same dilemma: how to show they can still make a difference beneath the tight can that financial markets and voters have placed on higher taxes

and bigger government. In Chicago, Mr Clinton's party has been setting out an agenda for ectivist gov-ernment within these economic and electoral constraints. There is no hig idea, but rather an avalanche of small pledges shaped to meet the immediate concerns of voters. Thus the president's speeches in recent days have been peppered with small-town initiatives: programmes to boost literacy in the classrooms and raise the schoolleaving age, to provide tax credits for families, and to improve access to child and health care.

The appeal of the two

leaders to middle America and middle Britain bear uncanny similarities. The formal Democratic "platform" declares that Americans "want a government that is for them, not against them, that does not interfere with their lives but enhances the quality of life. They want a course that is reasonable, help that is realistic, and solutions that can be delivered." Mr Blair's draft manifesto strikes the same note, declaring: "We helieve you, the people, would prefer clear practical promises that the government actually fulfils to promising the world and delivering nothing." The

emphasis in both documents is on opportunity and matching the rights of citizens with responsibilities. New Democrats and New Labour alike are also seek-ing to reclaim the standard

 $\mathcal{C}(\sigma_{i}) = \{ \dots$

San Marine

TREATE TO SERVICE

English (1)

Credible person

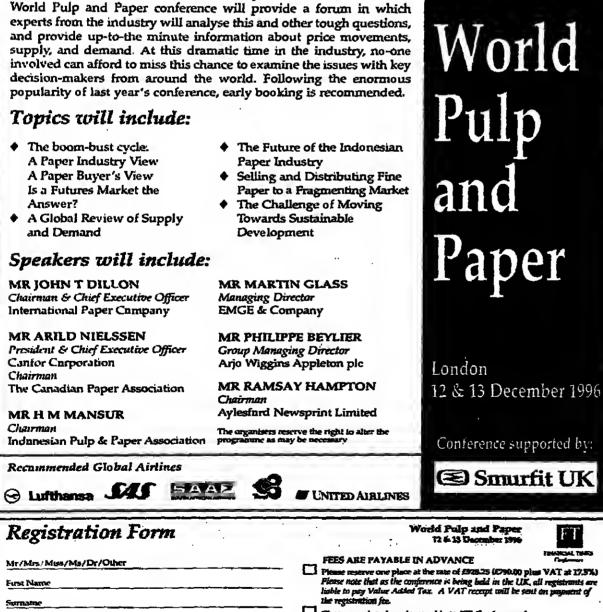
of the family, ceded to the right in the 1960s. Conservatives have defined family values in terms of smaller government and traditionalist positions on issues like divorce and abortion. Mr Clinton and Mr Blair are promoting a different agenda based on discreet initiatives designed to support family life. Children are centre stage.

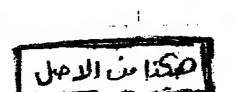
If their approaches are the

same, so are their problems. Both promise a fundamental overhaul of social security to replace dependency with work. Unless they curb spending on the welfare state, they will not find room for discretionary. increases elsewhere. But the welfare bill signed by Mr Clinton is widely viewed as flawed, cutting benefits without offering alternatives. Mr Blair's specific proposals have fallen far short of his stated ambitions.

Then there is biggest issue of all - tax. The two men share a commanding lead in opinion polls. Both, though, see the biggest danger to their electoral prospects in the pledges of their oppo-nents to cut income taxes. Mr Dole and Mr Major, they argue, are offering a fraudulent prospectus. But neither the New Democrats nor New Labour can be certain that the voters may not think

Philip Stephens





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Self-analysis made fable

STEALING BEAUTY Bernardo Bertolucci

* 🐧

MULHOLLAND FALLS Lee Tamahori

PHENOMENON John Turteltaub

hakespeare, Dr Johnson observed, would have sold his soul for e good pun. What ever would the good doctor say about Bernardo Bertolucci? Italy's once most dazzlingly cerebral film-maker (The Conformist, The Spider's Stratagem) has been selling his soul by instalment, or rather his brain, for over e decade

to buy ravishing camerawork.
He spun golden images in the beautiful, empty-headed The Last Emperor. He turned Paul Bowles's nihilistic novel The Sheltering Sky into "Lawrence Of Morocco". And in Little Buddha Keanu Reeves surfed the tantric universe dressed by what seemed the Nepa-lese branch of Christian Dior.

Bertolucci has become an aesthetic caretbagger bent on self-exile. So where more natural for him to turn, in his first film made at home for 15 years, than to that corner of an Italian field that is forever Anglo-American: Tuscany. Here beauty comes with tax incentives, copies of the Guardian or Herald Tribune and the frisson of being an interloper.

To this Chiantishire photographed with fulgent lyricism by Darius Khondji (of *Seven*) comes American virgin Liv Tyler, a fey full-lipped beauty on the brink of womanhood. On first impression she seems unlikely to reach it here. The villa owned by ageing Irish sculptor Donal McCann, who does large terracotta objects on hilltops, contains a leukemia-dying playwright (Jeremy Irons), a -senile Frenchman (Jean Marais), McCann's wife Sinead Cusack and a small nest of poisonous Italians and Americans.

As the plot uncoils like a multi- everyday.

lingual Chekhov pastiche around the passive-enigmetic Miss T, I kept wondering why I liked this film. Perhaps it was because despite the Europudding cast and aeon-honoured plot premise (will she, won't she lose her virginity) it has a cranky, curvilinear radiance. I suspect the film is e piece of unconfessed mid-life autobiography: that Tyler is not just any old virgin – who would care if she were? - but Bertolucci himself,

mate debris around her: it could (Shaltering Sky). The aculptures look suspiciously like China's terracotta warriors (Last Emperor). And Jean Marais is surely there because he was the star of Cocteau's great La Belle Et La Bête, the facry precursor of Bertolucci's matched love, Last Tango In

If Stealing Beauty is self-analysis mads fable, no wonder that the moments of sudden, inexplicable enchantment - a door that opens through e magically impossible arc, written words that fly from a diary across the screen, a swimming pool out of Hockney via Delle Francesce - have that intimist-symbolist éclat that we know from Bertolucci's best work: like the cinema roof opening to the stars in La Luna, or the lavish splashings of light on texture, like sea on rock, in The Conformist.

Tyler does finally, of course, lose her "innocence". But even this scene has a quirky off-centre lyricism. The boy she couples with, ewkwardly at twilight under a tree, says et one point in the foreplay/disrobing stages "Could you help me?" It is a deeply touching, tenderly funny moment. It shows that growing up is not necessarily the moment of zipless apocalypse we are sometimes promised. There are hesitancies, false directions and even false passions before one finds or refinds - as Bertolucci seems to be doing - the sempiternal in the simple, the existential in the

re-gandered and made photogenic. Look at the human and inani-

all come from Signor B's recent occure. The dying expatriate writ-er-sage could be Peul Bowles more brutalist variant on ill-

> Not content with pinballing an Italian director around China and the Sahara, the movie fates have sent New Zealand's Lee Tamahori, who made that visceral tale of dysfunction in a modern Maori family Once Were Warriors, to Hollywood to direct a 1950s-set film noir. Mulholland Falls is a piece of Los Angeles Gothic modelled after - a long way after -Chinatown. A bunch of stars in period glad-rags, led by Nick Noite and Melanie Griffith, brood through e convoluted plot ebout sex, blackmail and etomic radia-

Even the dialogue tries to ape Polauski's precursor. "This isn't America, Jack, this is L.A." someone says to Nolte, hoping to re-summon shades of "Forget it, actually this is nowhere. Just a movie backlot where grandiose sets and improbably sparkling period cars show up the lacklustre plot, direction and performances.



Not just any old virgin: Liv Tyler in Bertolucci's 'Stealing Beauty'

a film compels its eudience to take a fresh look et life. writes Martin Mulligan. It shatters fixed ideas and causes e small hut permanent shift of viewpoint. Phenomenon, alas, is not one of those films. But it so nearly is. George Malley (John Travolta)

is the affable denim-clad regular guy in leafy Harmon, north California. Big-hearted, unambitious. good with kids and one of the boys, George is content with his small-town existence as a car mechanic and spare-time gardener. Life would be just hunky-dory if he could settle down with Lace (Kyra Sedgwick), a sassy single mum who fails to Jake, this is Chinatown." But reciprocate his dogged affection. All that is about to change.

Staggering home from his 37th hirthday party, George sees a bright light in the sky, drops his beer glass, and blacks out. When Nigel Andrews he wakes up, gone is the smiling, scientific community; then the uncomplicated good guy. Within FBI; and finally an enthusiastic

days he has taught himself Spanish, mastered the physics of solar power and humiliates his friend Doc (Robert Duvall) et chess with Karpov-like flair. He is still good hearted, though – we know, because he waltzes with his bloodhound behind closed doors.

George is only warming up. Before you can say "exponential growth", he can give any flower he sees its Latin name, sense tremors in advance of earthquakes, even make s paper-clip dance in mid-air just by thinking about it. He learns Portuguese in 20 minutes during a truck ride to a farm where a food-poisoned father is trying to direct searchers to his son. George is not only a polymath but an empath into the bargain: he follows the direction indicated by his own stomach

cramps to the boy.

His former friends and neighbours now shun him - and it gets worse as the wider world wakes up to George's existence: first the

doctor who wents George to undergo open brain surgery for science's sake. You just know it'll

end in tears.

Travolta's performance is plausible, although that beatific smile can grate on the nerves. George could be a country cousin of Tony | covered therapy, and bave Manero, whose Brooklyn disco antics shot Travolta to fame not quite 20 years ago. Phenomenon The reunion of these two promises much, only to throw couples unpicks the scab of away its winnings with its unconvincing denouement. If director Jon Turteltaub and scriptwriter Gerald DiPego had had the courage to persevere with the gritty depiction of human xenophobia it might have been peerless.

Phenomenon's central idea thet you do not get more goodness from more knowledge - is however worth the price of admission. It is the sudience's loss that the schmaltzy final scenes degenerate into homespun philosophy. "Like this apple" says a munching George "everything is on its way to somewhere". A shame then that this film loses its way.

mutability of individual

identity eccording to social

and physical environment is

at times oversbadowed by a

production which demon-

strates wit of its own: scene

changes are orchestrated to

music ranging from a 1930s

novelty number to 1980s

Bodies revived

Theatre

ince the Restoration, bourgeois theatre goers have delight-edly squirmed at the portrayal of their life, art and infidelity on stage. Rich-mond's Orange Tree Theatre, celebrating 25 years, does much to sustain this dramaturgical tredition. Its chief contemporary expo nent is Jemes Seunders whose 1977 pley *Bodies* launches the silver anniversary season of new and ret-

rospective works.
First staged at the Orange
Tree, Bodies was subsequently seen at Hampstead and in a West End transfer with comic ector Dinsdale Landen in the lead. Landen, nearly 20 years older, reprises his role as Mervyn the biuff Headmaster et the centre of e love quadrangle. He fumbles when he lights his pipe, stumbles a blt over Mervyn's gymnastic wit, but is nonetheless a commanding presence. He veers from deep distress at the ettempted suicide of one of his pupils, to mischlevous glee in inviting to dinner the couple with whom both he and his wife had affairs nine

years ago. Mervyn and Anne endure their marriage, drenching their tiffs in whisky. Helen and David, on the other hand, escaped to America, indulged in breakdowns, dissmugly reformed themselves enough to return to Esher.

their wounded past. It seems that Seunders carefully pours scorn on the couch of psychoanalysis. We need neurotic abstractions -God, art, extra-marital affairs - for that is what it is to be human, And yet Saunders does not deny that life can be banal: "She knew. I knew she knew. She knew I knew she knew," says Mer-vyn of Anne about his affair with Helen.

ct I establishes the hack-story, each character delivering soliloquies. Act II after-dinner coffee in the Strauss's concern with the lounge - is mainly delivered in monologues. Although the play thus becomes an undramatic discussion of ideas rather than character-driven debate, Dominic Hill directs assuredly. Each supporting actor gives a finely-tuned performance: Stuart Fox's suavely arrogant David; Liz Crowther's egonisingly serene Helen; Carole Nimmons' confidently neurotic Anne. (The women have less to explore than the men-Saunders neglects to give either a career, for example.) Ti Green's design places

the charecters on tubularsteel masculine chairs which post the four corners of the stage; they then wrestle with their consciences in-theround. There is also a large gold-fish tank with four frisky fish. Only one detail is misjudged: Bech's First Sonata for Uneccompanied Violin introduces each act. A string quartet would have

been more apposite. Simon Reade

At the Orange Tree Theatre, Richmond until October 5

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Going solo on the Fringe

see a virtuoso display of oneperson theatre, a slab of selfindulgent catharsis (where the performer has suffered for their art and now it is the eudience's turn), or occasionally both at once.

In Think no Evil of us: My life with Kenneth Williams (St John's church hell), David Benson interweaves his own memories of a tyrannical headmaster and an insane mother with eerily perfect impersonations of the late comedian, in a dramatised coming-to-terma both with others' shortcomings and his own. Carol McGuigan's Inside Uitlander (Assembly Rooms) is a gentle, touching account of her teenage years as e Geordie transplanted to the Orange Free State, spiced with gloriously nostalgic references to the 1970s pop music which served as e lifeline to her homeland

olo shows are among... Albert Camus, What's the . of a Massachusetts.whaler the most unpredict. Score? (Pleasance) pretends—engaged in 1875 to spring six Fringe fare: you may not: performer Nick Whitworth and co-writer Wes Williams have created an irritating but engaging chargoalkeeper whose relation-

ship with his girlfriend suffers at the hands of his obsession with the French-

Algerian writer. The protagonist of Donal O'Kelly's two-hour tour-deforce Catalna (Theatre Workshop) is an unsuccessful Dublin screenwriter; his hero, in turn, is the captain ing grace and energy.

engaged in 1875 to spring six able categories of to be eutobiographical but is Fenian prisoners from Western Australia. In telling this true story O'Kelly presents e dazzling array of characters ranging from a ghost to a acter in Alex, a existentialist sea-bird, and turns his bedroom- set ingeniously into a ship in full sail. O'Kelly's last Edinburgh appearance was six years ago; he should return more often to demonstrate the pinnacle of grand single-handed drama.

O'Kelly's performance does not stint on physicality, but he is left in the shade by Australian company Legs on the Wall. All of Me (Pleasance) is e remarkable, almost wordless acrobatic piece recounting the slow disintegration of a family. Beginning with one per-former spot-lit in mid-air as tha yet unborn daughter, this quartet build a variety of locations with their bodies, depicting golden times, growing tensions and finally a suicide, all with astound-

 This year as last, though, the plece et once most spectacular and most emotionally powerful was Carmen Funebre by the Polish company Teatr Biuro Podrozy (Edinburgh University Old Quad; run ended). They did not set out to explore the ramifications of war, simply to portray its horrors. In e darkened, booming open air spece, sinister stilt-walking warlords rounded up victims hidden among the audience. herding them through huge, forbldding gates; wounded veterans were fearfully reviled by their former comrades: at every moment one's heart and conscience ached et the senseless and inhuman waste. Many of the eudience applauded wildly; some reeled away in dumb.

awestruck silence. Ian Shuttleworth All shows run to Angust 31

except where noted; Edin-

burgh Fringe box office 0131

TA Thile Lisa Fortion of Time and the Room last year at London's Gate Theatre gave equal weight to Botho Strauss's humour and his dark absurdity, Martin Duncan emphasises the brightness which has led Strauss occasionally to be derided as e German Ayckbourn. Here, irrationality looms up to subvert events rather than existing in counterpoise with them. In Act I, Tyrone Huggins

and John Ramm do a Gilbert and George impression as Julius and Olaf, the room's inhabitants, whilst a number of other characters enter, leave and on occasion simply vanish according to conversational cues.

After the interval, a series of discrete scenes bear out Marie Steuber's carlier declaration that "I've adapted myself to everybody." Whether at e bizarrely seductive dinner or engaged in a domestic row over (of all subjects) Medes. Marie's personality is quite discontimuous; it varies with the function of the room itself.

Time and the Room

Theatre

Wolfgang Göbbel's disconcertingly non-Enclidian set is cleverly versatile - perhaps too much so, as now and again the physical layont of the room itself changes. Duncan shows a sharp eye for human idiosyncrasy: Alexandra Mathie's Impatient Woman, in particular, is a delightful melange of ties and insecurities, going back to redeliver a line of small talk when she feels she has not been casual enough. As Marie Steuber, Anita Dobson once again sidles up on excellence but just misses: she rings Marie's changes of mood and register expertly. but offensive deliberation persists throughout her per-

biographical notes on the sitters

Tha Pretendars: by Ibsen.

Directed by Terry Hands and

of the Ibsen Stage Festival;

7.30pm; Aug 30, 31 (6pm)

performed by the Nationaltheatret. The cast includes Sverre Anker

Ousdal and Toraly Maurstad. Part

Centre Georges Pompidou Tel: 33-1-44 78 12 33

Fréderick J. Klesler: retrospective exhibition devoted

to the architect/artist Frederick Klesler (1890-1965). The display

architectural designs and ideas and shows a selection of his

San Diego Museum of Art Tel:

traveling exhibition featuring approximately 60 paintings by African American folk artist Ellis

paintings, sculptures, installations, stage designs and other works; to

gives an overview of his

SAN DIEGO

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PARIS

EXHIBITION

EXHIBITION

1-619-232-7931

THEATRE

Europop blt "99 Luftballons", e wall alcove which had been e video library suddenly becomes e drinks cabinet, and a running gag results eventually in a foothigh mound of disposable cigarette lighters on the For some years Strauss's lack of popularity in Britain has been a mystery, since Britain has e theatrical cul-

ture in tune with his style and preoccupations. However, a polished production such as Duncan's mey be just the thing to bring his work to the broader attention it merits.

At the Royal Lyceum Theatre until August 31: Edinburgh Festival box office

INTERNATIONAL

AMSTERDAM

CONCERT 31-20-5730573 Radio Filharmonisch Orkest with conductor Alexander Lazarev and violinist Vedim Repin perform works by Glazunov and Shostakovich; 8.15pm; Aug

ATHENS THEATRE

Ancient Theatre of Epidaurus Tal: 30-753-22066

Royal National Theatre of Britain: perform Sophocles Oedipus Tyrannus and Oedipus at Colonus (in English). Directed by Sir Peter Hall. Part of the Epidaurus Festival; 9pm; Aug 30,

BERLIN

EXHIBITION Altes Museum Tel: 49-30-8301332 Lovis Corinth: retrospective

exhibition devoted to Lovis Corinth, one of the leaders of German Impressionism. The display includes nearly 150 paintings, approximately 60 drawings and watercolours, as well as a selection of prints After the showing in Munich the exhibition will travel to Saint Louis and London; to Oct 20 **OPERA**

Komische Oper Tel: 49-30-202600

Faistaff: by Verdl. Conducted by Yakov Kreizberg and performed by the Komische Oper. Soloists include Korondi, Oertel, Fink and Rabsilber, 7pm; Sep 1

BRUSSELS

EXHIBITION Palais des Beaux-Arts Tel: 32-2-5078466

 L'art en résistance. Peintres ellemands de l'entre-deux-guerres: exhibition of orks by German artists, created between World Wars I and II. The display includes some 200 paintings and drawings by artists such as Max Beckmann, Otto Dix and Georges Grosz, giving an overview of German art in this period. The works come from the collection of Marvin and Janet Fishman; to Sep 8

HAMBURG

OPERA Hamburgische Staatsoper Tel: 49-40-351721 Don Giovanni: by Mozart.

Conducted by Bernhard Klee and performed by the Staatsoper Hamburg. Soloists include Organasova, Gustafson and Rossmanith; 6pm; Sep 1

LONDON

CONCERT Royal Albert Hall Tel: 44-171-5898212 Orchestra of the Eighteenth Century: with conductor Frans Brüggen and violinist Thomas Zehetmalr perform works by Haydn, Rameau and Beethoven. Part of the BBC Henry Wood Promenade Concerts (Proms); 2.30pm; Sep 1

LOS ANGELES-MALIBU

EXHIBITION The J. Pauf Getty Museum Tel: 1-310-459-7611

The Compositional Drawing

from the 16th to the 19th Century: an exhibition exploring how great masters, including Michelangelo, Salvator Rosa and Théodore Gericault, used drawings to develop compositional ideas for paintings, sculptures and prints. veral of the compositional drawings are exhibited together with photographs of the finished works they anticipated. Among the highlights are Paolo Veronese's "Martyrdom of Saint Justina" (1575), a large preparatory drawing for the itarplece in the church of Santa Justina, Padua (1574-75), and Jacques Louis David's "The Lictors Carrying the Body of

Brutus" (1787) that set forth the main compositional elements for the painting of 1789 (Paris, Musée du Louvre); to Dec 8

MADRID EXHIBITION

lacio de Velázquez Tel: 34-1-573-62-45 · Cindy Sherman: exhibition of e

selection of some 70 photoworks featuring examples of the "Untitled Film Stills" of 1977-1980 which brought Sherman International recognition. Also on show are works from her most extreme photo-series "Disgust pictures" (1992) and "Horror Pictures" (1995), the most recent of which have not been exhibited previously; to Sep 22

■ NEW YORK

EXHIBITION MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400 Picasso and Portraiture. Representation and Transformation: exhibition surveying the portrait work of Pablo Picasso (1881-1973). Beginning with early studies from the artist's years in Barcelona, the exhibition moves through portrayals of his family, lovers and friends, including his childhood friend and later secretary Jaime Sabartés, the poet Max Jacob, Picasso's first great love Fernande Olivier, Olga Picasso, the artist'a wife in the 1920s, and his last wife,

Jacqueline. The display comprises Ruley (1882-1959); from Aug 31 more than 130 paintings, approximately 100 drawings and prints, and one sculpture. Photographs and brief

accompany the portraits; to Sep EXHIBITION SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 The San Francisco School of Abstract Expressionism: this

FRANCISCO

exhibition explores the work of the Abstract Expressionist movement on the West Coast and includes approximately 65 works by artists such as Jay DeFeo, Richard Diebenkom, Sonla Gechtoff, Walter Kuhlman, John Saccaro and Clyfford Still. Known at the time as "free-form painting", these works of the 1940s and 50s were inspired by the natural beauty of the West Coast, as well as by jazz and Beat poetry: to Sep 29

ZURICH

EXHIBITION Kunethaus Zürich Tel: Pierrick Sorin: featuring the video art of Pierrick Sorin. The display includes works

The subject in all of Sorin's works is the artist himself; from Aug 30 to Oct 27 Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All

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created between 1990 and 1996.

EUROPEAN

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Squawk Box 10.00

European Money Wheel 18.00

Financial Times Business Tonight



Economic Viewpoint · Samuel Brittan

Of happiness and GDP

Although national income is not an adequate measure of human welfare, there are fundamental difficulties in constructing alternative indices

Of all the many journals coming across my desk, one of the most stimulating is New Economy, the quarterly published by the self-proclaimed "leftleaning" Institute of Public Policy Research. This is to improve the value of the because Mr Dan Corry, its editor, is more concerned with the analysis of ideas

than with party politics. The spring issue raised interesting questions in an article entitled: "Does money buy happiness?... If not, what does?

"Money" is e popular name for what should atrictly be called real income. In the context of the nation, this is defined as the value of all the newly produced goods and services in a particular period and also of the incomes generated in producing them. The innocent observer

may hope that this can be an entirely objective measure. This is a vain hope because of the problem of adding apples and pears. Output differs in composition between one country and another, and in the same country between one year and another. The only way of making numerical comparisons is to value what is produced at market prices, making some allow-

ance for inflation. The justification is that weighting by market prices ls consistent with citizen preferences. Although national income statisticians strenuously avoid profound discussion of buman bappiness, they must at least assume that more gross domestic product is preferred to less

It has nevertbeless long been known that GDP is highly imperfect as a summary of how far people's preferences are satisfied, let alone anything deeper. One example of its shortcomines is that work in the home is not measured. A less well-knowo example is travel to work, which counts as expenditure out of

realistic to regard this fumefilled leisure-destroying necessary evil as e subtrac-

tion from real income. There are some mundane measures that can be taken normal GDP figures. One would be to publish more of GDP per head or per worker. Best of all - as it would also take into account the value of leisure

would be output per hour.

Even with such corrections GDP would still be a fallible measure of satisfaction. Europeans have been annually polled on how satisfied they are with their lives. Only Belgians show a large drop in the number saying they were "very satisfied" between the 1970s and the 1980s. For the rest. the variations between countries completely dwarfed the changes between the two periods. The country with the greatest proportion "very satis-fied" was Denmark with 62.8 per cent. The country with the lowest proportion was

The Misery Index

The New Economy Well-being Index

Shows well-being has fallen since the 1980s

income. It would be more 30.9 per cent. These extreme and inflation percentages variations must partly represent linguistic differences. Conundrums increase if we look at the opposite end

of the spectrum, at people so unheppy they take their lives. Suicide accounted for only one in 12,000 deaths in the UK, but one in 3,000 in Denmark in contrast to the high satisfaction levels reported by

the majority. But there is one finding which cannot easily be knocked down. This is that unemployed people report much greater levels of dissatisfaction than those with jobs. In an Edinburgh survey their relative risk of attempted auicide was 12 times as high as the employed. One does not have to be "left-leaning" to accept this.

There is a measure which puts a direct weight on unemployment, known as the Misery Index. It is a crude index, which is simply the sum of infletion and unemployment. The higher the index, the worse the economy is performing.

Italy with 13.2 per cent. The The index formula is arbi-UK came in the middle with trary, as the unemployment are not percentages of the same thing. The first chart shows how doubling the weighting given to unemployment makes the misery index turn up instead of down in the 1990s.

Unfortunately, the more ambitious the attempt to construct e sophisticated measure of welfare, the more it is dependent on the judgment of the person constructing the index. The best way to adjust for environmental change and other aspects of the quality of life may be through a series of different indicators, on clearly stated assumptions, none of which should claim to be the whole truth.

The most widely known attempt to build a broad index of human welfare is the Human Development Index published by the United Nations Development Programme. This is based on an average of GDP. life expectancy and educatlonal attainment. Educational attainment is suspect. If it contributes to economic growth, it will be reflected in GDP in future years; and it is double-counting to include it now. But for what it is worth. Canada came in et number one place on the HDI index, the US was num-

Ethiopia 171; and Mali was at the bottom with 172. Mr Corry and his colleagues have made a hrave attempt to construct their own New Economy Well-Being Index. They have taken seven indicators and everaged them: real income per bead (measured hy GDP): growth in real income per head; unemployment; percentage change in unemployment; inequality; inflation; and base rates. The result is e fluctuating movement, but with a depressing trend deterioration from the

ber two, Japan three, the

UK 18, Ireland 19, India 134,

The index is unconvincing. Is there not some donble-counting in putting

real income or unemploy ment and the changes in them? There are also problems in converting all these different measurements to common scale.

But I am afraid I draw the line at including "inequality" in a well-being index. If this rules me out of the congregation of the "left-leaning so be it. Too many eco nomic commentators are morally bullied into implic-Itly accepting the goal of equality - only available in the graveyard - when they talk about "inequality" as an obvious evil.

Inequality is not the same as poverty or even as the distribution of incoma. If you start with a completely equal society (whatever that means) and introduce e national lottery. "inequality" would increase even though any resulting decrease in most people's living standards is infinitesi mal and they may enjoy the thrill of a large prize.

There is a difference between inequality et the top, represented by e few people drawing large prizes and inequality at the bottom which can be due to the existence of a depressed class. The most usual measure of inequality, the Gini co-efficient, does not distinguish between the two kinds. Thus one postwar study showed Puerto Rico and Italy were more equal than Sweden, Den mark and the Netherlands.

The suspicious element in much of the attempt to go beyond GDP is the subtext that says that all human satisfaction must be relative to other people's. In other words, people do not gain from increases in their living standards, unless they improve relative to others As we cannot all have a relative improvement, this makes human progress e delusion and the 20th cen tury - even in periods of peace and calm - no better

than the stone age.

OPIUM: A HISTORY by Martin Booth Simon and Schuster, 381pp, £17.99

A global harvest of human misery

THE OK SEVIEW Select Militage



and society have long baen sheped opium, says Mr Mar-

tin Booth, citing the birth of Hong Kong during the 19thcentury oplum wars as one prominent landmark. In an exhaustive and depressing study, he argues that the narcotic will continue to wield a powerful influence. It is e worrying message

for producer countries, from central Asia to south America, consuming nations and governments which have failed to curb an illicit trade now estimated at US\$750bn (£483.9bn) annually. Mr Booth describes a system of production and trafficking so firmly established and flexi-hle that it swiftly adapts to changing political and economic circumstances.

A case in point is the collapse of communism. Cold war rivalry in countries such as Vietnam and Afghanistan often provided cover for traders and producers, with the US and the Soviet Union turning a blind eye to their activities. Political and economic liberalisation might have been expected to make it easier to curb the drug traffickers

Unfortunately, the benefits are not so apparent. Afghanistan, already one of the largest producers of illicit opium, has seen an increase in the number of poppy farmers with the return of refugees after the withdrawal of Soviet troops. And since UN troops pulled out of Cambodia in 1993, the oplum trade has increased to such an extent that drug enforcement agents now call it "Medellin on the Mekong", e reference to the Colombian cocaine city.

Economic reform has also brought new problems. "Heroin use is increasing et an alarming rate in China," writes Mr Booth, pointing to an unwelcome side-effect of "may well yet prove to be rising disposable incomes the downfall of humanity".

and looser social control. quashed opium production in China, but illicit poppies are now farmed in about 16

Kunming, the capital of the western province of Yunnan, has an estimated addict population of 100,000. Citing e Chinese proverb, Mr Booth notes that opening the window of economic reform has allowed in mosquitoes and evil spirits as well as sun-

There are similar problems in Vietnam, which appears to be emerging again as an important trafficking route from the Golden Triangle the main opium-producing region which straddles the bordera of Thailand, Laos and Burma.

And in eastern Europe. "political liberation, and the restructuring of police and security services has been a boon to ethnic organised crime groups who are developing new routes between the old east and the west." says Mr Booth

Those fighting snch groups have made only limited gains. Concerted international efforts, such as the 1988 United Nations Vienna Convention which sought to tackle the opium trade through massures against money-leundering, heve fallen short of promi

The result is that illicit opium production, which fell sharply after the 1930s, has climbed strongly since 1970. In May last year the UN International Drug Programme estimated there drug addicts worldwide. It also pointed to a worry-

ing trend of eddiction spreading from rich to poor nations, which are equipped to tackle the problem. The associated threat in terms of crima and medical costs are alarming, although Mr Booth strays into hyperbole in warning that opium

The book is strongest in Chairman Mao effectively its explanation of the rise of opium and its more dangerous derivatives, how it has penetrated societies and how the drugs industry has developed into a potent international threat.

The financial incentives which drive the industry, for example, are clearly demonstreted by a eimple list which shows how the value of raw opium rises from between \$66 and \$75 a kilogram in the Golden Triangle to \$400 to \$600 per gram by the time it reaches the streets of New York as refined heroin.

But the book is weaker and certainly less exhaustive in addressing countar-measures. Crop substitution schemes and opium eradication policies are dealt with tersely. Draconian anti-drugs laws in Malaysia and Singa pore are quickly dismissed. More seriously, the question of whether legalising drugs might reduce the criminal activity associated with narcotics is dealt with in a few sceptical paragraphs.

Mr Booth suggests that tougher measures against the circulation of drugs money are needed and sensibly points to the need for increased education to counter the attractions of narcotics and to address cultural traditions. But there is little assessment of how these approaches have performed.

With the scale of the problem forcefully established, such gaps loom large. But they also underline the intractable nature of the threat. As Mr Booth gloomily concludes, the "joy flower" first cultivated by Sumerians in 3400 BC, and long prized as a unique painkiller, will continue to yield modern misery.

Opium: A History is apailable from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (contside the UKO. Free p&p in UK

FINANCIAL TIMES TUESDAY AUGUST 13 1996 ** NatWest takes the lead in corporate banking By George Graham, Banking Correspondent National Westminster Bank has overtaken Barclays to gain the biggest share of the UK corporate banking market, according to a review by Chartered Banker, the maga-Lord Alexander, chairman zine of the Chartered insti NatWest, said his bank had been focusing on the ously good news because there is no question of our bnying market share by axing lending standards he said In a more devailed surve of the 500 largest companies, Chartered Banker found that NatWest was rated by finance directors as the best bank for short and mediumterm loans, treasury maoagement, lessing, foreign exchange and international finance. Enough said. Why comment further when the FI article has said it all? To find out how we can help you make a success of your business, call George Farrow, Senior Executive, on 0171 454 2560 and he'll arrange for a NatWest Corporate Manager to contact you. NatWest More than just a bank

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·LETTERS TO THE EDITOR-

Number One Southwark Bridge, Landon SEL 9HL e are keen to encourage letters from relaters around the world. Letters may be fared to +44.171-173 5938 please set fax to fine), a mail letters of time? I can published lenters also available on the IT web size, hup//www.PI.com Translation may be available for letters written in the ment international languages.

Ofgas and its proposals for TransCo review

From Mr Philip G. Rogerson. Sir, There are a number of points in Lex and the editorial comment "Burning up the profits". (August 22) on Ofgas' final proposals for the TransCo formula review which call for responses if your readers are to understand the true nature

of these proposals. You say "the company has secured significant concessions from its regulator". In fact concessions, apart from Ofgas' recognition that lts position on the focused privatisation discount and drawback was untenable,

are minimal. As the regulator is predicting almost the same level of gas price cuts as before, it is difficult to understand why Lex drew e different conclusion from most observers.

Ofizas' own published forecasts of allowable revenue show a difference of only £400m et constant 1994 prices between its initial and its final proposals for the period 1997-98 to 2001-02. That is 3 per cent of aggregate allowable revenues predicted by Ofgas and hardly amounts to

"significant concessions" resulting from their proposed price cut of 20 per cent followed by further cuts equivalent to RPI minus 6.5 percentage points each year for the four following years. You state that, as e

general principle, shareholders' return should be calculated on "what they actually paid for the business, namely the market value at the time of privatisation. Ofgas has rightly opted for the latter approach, though using the

1991 market value." This was what was allowed by the Monopolies Mercers Commission to British Gas in its 1993 report when it adjusted the cost of capital on pre-1992 current cost assets to the 60 per cent. market asset ratio. The Commission also allowed full current cost depreciation in the calculation of revenue on pre- and post-1992

It would help everyone understand the nature of the disagreement between British Gas and Ofgas if the pretence was dropped that Ofgas' current proposals do not overthrow this fundamental part of the Commission's report.

Also, you state that under TransCo'e proposal of CCA accounting, today's consumers would be paying substantially more than was

needed to fund present investments". This is not

First, depreciation is the recovery of past investment. Second, Ofgas (unlike Offer in the National Grid review) eppears to have used allowable depreciation in its net present value calculation that is less than capital expenditure. The uncertainty about Ofeas position stems from the fact

that (again unlike Offer in its National Grid review) it has not allowed access to its consultants' reports; and it has published neither its NPV model nor its depreciation assumptions.

Philip G. Rogerson, deputy chairman, British Gas. The Adelphi. 1-11 John Adam Street. London WC2N 6HT, UK

Eco-labelling will act as trade barrier

From Mr B. C. Bateman. Sir. Your article,

"Eco-label scheme upsets paper makers". (August 26) gives the impression that paper makers are frustrating efforts to improve environmental standards by their rejection of the European Union's eco-label.

The truth is quite different.

The European paper industry contributed to the original discussion but as politicians interfered, devaluing the environmental indicators, the industry withdrew. In contrast, paper makers favour environmental management systems and are committed

to this approach.

This cannot be said of the

co-label which is flawed in its approach and application. The sulphur criteria was introduced in last-minute horse trading by EU officials to win over a doubting member country and achieve a qualified majority for the eco-label process by just one vote. The "market mechanism

of eco-labelling will act as a trade barrier. It will discriminate against non-integrated mills in central and southern Europe and it will do little to improve the environment. The eco-label specifically

discriminates against the use of the efficient combined heat and power plants which

contribute to the redoction of emissions of global warming gases, in favour of the much less efficient power plants in the electric supply industry. Is this sensible? We think not, which is why the industry has distanced itself from this ill-thought out process.

B. C. Bateman, director. business and environment. The Paper Pederation of Great Britain, Papermakers House, Rivenhall Road. Swindon SN5 7BD, UK

ID cards and fraud

From Mr John Green. Sir, I cannot see how Mr Michael Howard, the home secretary, is guilty of any misdeed in the way he is handling the introduction of ID cards. I can't understand the attitude of people like Mr Gilmour Parvin (Letters, August 24) unless they have something to hide. Everyone had ID cards during the war years and if nothing less. their reintrodoction would reduce fraud

John Green, 8 The Range, Langham. Rutland LE15 7EB, UK

A nation's culture can be a source of motivation

From Mr Timothy Hardisty. Sir, Martin Wolf's article ("The poverty of nations". August 20) argues that "to the extent that differences in culture are expressed in individual capacities, these cannot explain the huge variations in incomes across countries".

I strongly disagree because I believe that some cultures

motivate people to maximise their economic potential more strongly than others. Taiwan and Hong Kong

have cultures that encourage free enterprise and are consequently more successful than mainland communist China

Similarly, the caste based culture of India inhibits fairness, equality and the

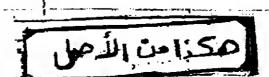
development of a free enterprise society. There are numerous other

examples in the world including tribalism in Africa.

Furthermore, I would hypothesise that countries that have e culture which encourages a belief in their nation's destiny to play an increasingly significant role in shaping the future of the world are more likely to succeed in motivating their citizens to work hard and effectively.

An example of this could well be Japan.

Timothy Hardisty, 1 Gosforth Place, Hoole Chester CH2, UK



The route to open skies

their aviation talks have broken down because they interpret the term "open skles" differently. The real difficulty is that neither country shows a genuine commitment to open aviation, preferring to promote the nar-row interests of national air-

The US is demanding full access to the UK air market, and particularly to London's Heathrow airport, as well as the right for its carriers to fly to third countries - known as "beyond rights". While these demands are legitimate, they are unconvincing from a country whose enormous domestic air market is closed to foreign competition and which limits foreign ownership of its airlines to 25 per cent of voting stock.

While Britain is justified in demanding that these restrictions be removed, it is wrong to insist it will only conclude an open skies agreement if the US authorities simultaneously grant anti-trust immunity to the proposed alliance between British Airways and American Air-

Aviatioo alliances come and go, as evidenced by the recent rupture in relations between BA and USAir. A new US-UK aviation agreement should establish an enduring framework for vigorous competition between airlines, providing them with an incentive to improve service and lower fares. As things stand, the UK government gives the appearance of being prepared to negotiate only because BA bas asked it to, baving determined that an open skies agreement is the price to be paid for US approval of its alli-

Overcoming obstacles

To overcome the obstacles to a new agreement, the two governments need to decouple the proposed BA-American tie-up from the open skies issue. A lib-eralised aviation market is good in itself. BA and American's proposal to combine operations should be judged on its merits by competition authorities on both sides of the Atlantic. In deciding whether to approve the

The spectacle of Russian troops

gradually withdrawing from the half-ruined city of Grozny is a

tribute to the remarkable, if pre-

carious, achievements of Mr

Alexander Lebed, Russia's

national security chief, in nego-

tiating a possible end to the

his efforts, be has already

proved that there is nothing

Inevitable about the region's

slide into endless bloodshed and

misery. With the right mixture

of bokiness and pragmatism, the

stand-off between Chechnya's

unyielding rebels and Russia's reluctant soldiers can be

defused. If all goes well, mili-

tary disengagement will create an environment in which the

issue of Chechnya's future can

he resolved - or at least fmessed - in a civilised way.

The proposal under discussion

for a referendum on sovereignty

in five years' time offers one

So far at least, the tough-

talking officer has disappointed

those rivals in the Kremlin who

hoped his assignment to handle

the conflict would be a poisoped

chalice. He has also managed to

hold back those hardliners in

the Russian security forces who

favour a massive counter-altack

on the rebels who seized much

Given that such an offensive

could hardly be mounted with-

out compounding an aiready

appalling civilian death toll, the

city's hard-pressed residents

have reason thank Mr Lebed.

But with Mr Boris Yeltsin, the

president, virtually absent from

public affairs and giving oddiv

conflicting signals, It is still

Every previous attempt to end

the blood-letting has been cyni-cally sabotaged. Yet Mr Lebed

has aiready established himself

as a more credible peacemaker

than anybody else who has tried

to play that role. He has estab-

lished a sound working relation

ship with the rebel leaders, hav-

ing gained their trust by

dismissing the pro-Moscow Che-

unclear who will prevail.

Credible peacemaker

of Grozny three weeks ago.

way of achieving this.

Whatever the final outcome of

disastrous Chechen war.

Mr Lebed

British and US negotiators say alliance or impose conditions such as the surrender of routes or airport slots, the regulators will consider what scope there is for other airlines to compete.

The governments should concentrate on negotiating a liberalised regime based on agreed principles. Underlying these should be a commitment from both sides to allow any airline from one country to fly to any airport in the other, and then carry passengers anywhere else whether domestically or abroad. The UK's resistance to granting beyond rights and the US's refusal to concede the principle of cabotage, or the right to ngers within the US. serve no purpose other than to shield local airlines from compe-

Foreign ownership

There are two further issues Heathrow access and foreign ownership. Whatever US airlines believe, Heathrow is congested. There is some scope for increasing the number of slots available, although such a move could face furious local opposi tion. The two governments need to study together bow to find more space at Heathrow. US air lines might have to accept that, even under a liberal regime, building a position at the air-

port might take some years. Foreign ownership presents different problems, Airlines from each country would like to invest in carriers in the other as a cheaper way of obtaining beyond or cabotage rights. The UK does not have the power on its own to raise the EU limit on foreign ownership of airlines above the present 49.9 per cent. The US government can, however, commit itself to winning

legislative approval for lifting its own limit to the EU level Removing limits entirely could then ba left to negotiations between the US and the EU. Further ahead, there is no

reason in principle wby aviation should be different from any other global industry, free from carve-ups between countries or trade blocs. Real open skies between the world's two biggest aviation powers would be an excellent start. Power to

> company prediction that full year profits would exceed last year's DM336m. Yet the pre-tax margin VW earns on its activities remains a paitry 1.8 per cent -about a third the margin at Mercedes-Benz, another overstaffed German carmaker, which makes more profitable luxury cars. "VW has a number of unresolved problems not least of which is its staff overhang in Germaoy," says Ms Sahine Blümel, motor industry analyst at IMI Sigeco, an Italian investment bank in London. To reach his goal of almost quadrupling margins by 2000, Mr Piech is rationalising VW's model range. The aim is to reduce the number

The FT Interview · Ferdinand Piëch

Relentless driver of change

The chairman of Volkswagen tells Haig Simonian his strategy for raising the efficiency of Europe's largest carmaker

Piecb, chairman of Volkswagen. Europe's bigges carmaker, has a reputation as tha rottweiler of the world motor industry. Subordinates summoned to his pan-oramic offices overlooking the smokestacks of the company's vast Wolfshurg plant in Lower Saxony often leave without their dignity. Some depart without

Of the 10 members of VW's management board when Mr Piech moved over in 1993 from running the company's Audi subsidiary, only one remains. One, Mr Ulrich Seiffert, VW's former head of research and develop-ment, has the dublous distinction

of having been sacked twice. Such relentless change is part of Mr Piëch's drive to transform VW from Europe's least efficient car manufacturer into its best. "I'm about 25 per cent of the way," he says.

Volkswagen ranks not far behind General Motors and Toyota in the giobal league table of carmakers. Last year it built 3.24m cars - almost 10 per ceot of the private vehicles made under four brands: VW and Audi in Germany, Seat in Spain and majority-owned Skoda in the Czech Republic. Outside Europe, it vies with GM as the biggest carmaker in south America and it is uncontested leader in China.

But balf the group's output comes from its six plants in Germany which account for 95,000 employees - 60 per cent of the total workforce. It is the inefficiency of VW's core German manufacturing activities which have marred its performance, Wolfsburg, built in the 1930s to produce the original "people's car", is the biggest single plant, with 45,000 employees and focal point of the problem.

But attempts to cut jobs and introduce flexible working are opposed by Germany's trade unions - with the backing of the state government of Lower Saxony, which owns 20 per cent of its shares. Even rottweilers, it

seems, can be muzzled.

Despite this, Mr Piech can point to some achievements. This year's first-half results showed a strong recovery in net profits which nearly tripled to DM282m (£123m). Sales in mostly lacklustre markets, were up almost 14 per cent to DM50.5bn - a rise tors, in the first seven months of this year, the group's share of the west European market reached a record 17.4 per cent. Sueb buoyancy prompted a



No factory in the world has made as much progress on efficiency with unions and management intact as Wolfsburg'.

Ferdinand Plach



of basic engineering structures . The remainder, which define the (platforms) built at the group's car's character, are different," factories worldwide from 16 to says Mr Piech. "Both feel comjust four. Although the number of platforms will fall, each will be signed to accommodate a variety of styles - allowing VW to produce cars to suit each brand

and regional subsidiary. This "platform strategy" should reduce development costs and offer big savings on produc-tion engineering. The economies of scale in making larger quantities of similar vehicles should also cut spending on components. "Rationalising the platforms is the single most important part of the strategy. Then you start to get the benefit of volumes," says

Already VW's new Passat upper-medium car, launched this week, has much in common with the highly successful Audi A4 small executive model produced strategy. Although outwardly very different, the two share engines, brakes and hundreds of smaller components. "About 90 per cent of the things which aren't noticeable are the same. pletely dissimilar."

The full benefits will not come through until 1998, when all VW's new generation of smaller cars and most of its bigger, upper-medium-sized models will be designed around two platforms. "These are the profit carriers for the group," he says. When complete, the process should save about DM3bn a year.

With fewer platforms to make, the extent of the group's overstaffing in Germany will become an increasing problem. To pre-serve jobs. VW's unions agreed in 1994 to a four-day week for the then 50,000 Wolfsburg workers. The unorthodox approach was later extended to the end of next year. But the unions have refused to consider involuntary redundancies - supported indirectly by local politicians from all

Mr Piech argues VW and its unions have been quietly making its German plants more efficient away from the glare of publicity. VW's group beadcount in Germany fell by 2.9 per cept in tha first half of 1996, continuing a gradual but steady erosion. Wolfsburg and the other German plants have also become more

has benefited from the efficiency improvements instigated by Mr Piech. In the past four years, the time taken to build it has been reduced from 42 to 30 bours.

The smaller Polo is now made at Wolfsburg in half the 28 hours previously taken (admittedly after a model change). A new, smaller urban car, which could be released before the end of the year, is expected to take just seven hours to build.

"No factory in the world has made as much progress on efficiency with unions and management intact," says Mr Plech. He says that in efficiency terms, Wolfshurg is in the middle of the European league table. "I want to make It the best."

Outside Germany, Volkswagen is at the forefront of innovations such as modular manufacturing and outsourcing, says Mr Piech. New plants in the Czech Republic and in Brazil transfer work from assembly-line staff to cheaper components suppliers. At Skoda's new Octavia factory at Mlada Boleslav, for example, 13 important groups of components, such as the dashboard, come ready-as-sembled from suppliers.

Much of this is influenced by Mr José Ignacio López, VW's purchasing and production guru whom some car analysts see as a pioneer in redafining tha way vehicles are built. Mr López was recruited from General Motors in the US three years ago in a legal row in which the US company accused him and associates who moved to VW of taking allegedly secret documents.

Mr Piech declines to comment on the unresolved court battla in Germany and the US with GM. "We are confident tha judges will decide correctly, wherever they are," says Mr Piech.

But whatever the influence of Mr López, ontsourcing and modular construction remain taboo at Wolfsburg. "It is true VW has more insourcing in Europe and more outsourcing abroad," says Mr Piech. "But there is no patent

or now, VW's subsidiaries abroad will be used to ploneer unusual cars or novel production techniques. What works well can be carried over to the rest."

And he believes it will be possible - eventually - to implement the newly gained knowledge at Wolfsburg. "You must explain through discussion; wa have structural problems; we must solve them together. What doesn't work with such partners is to surprise them."

A key to success in such per-suasion may be the greater competition Mr Piech has introduced between VW's brands and plants. Last year, the group surprised its German workers by marketing a four-door version of the Polo, called the Polo Classic. It is in fact a lightly modified Seat Cordoba saloon made in Spain and

sold in Germany as a VW. Such rivalry will reach greater proportions when VWs-new car and engine factories in the former Communist east Germany coma on stream. The new factories at Mosel and Chemnitz - at Even the relatively labour- European government and the investment grants - will produce much the same cars and engines as VW's older German plants. Wages and conditions, bowever, will be "appreciably lower" than at Wolfsburg. Mr Piech ducks threat question-

ing about greater internal competition in the group. But he makes clear future models from Wolfsburg will have to meet precise productivity standards to ensure

The rottweiler, it seems, may be getting its way with a bark, rather than a bite. "The influence of our hig shareholder and the unions on us is well-meaning; it was not always so," be says. They understand what must be changed. We bave looked together for a way to solve our problems without publicity. I already have some flexibility in the factory."

Pussycats get cream

than some.

over executive pay. A quiet, personable and elever chap who

is prone to colour up at the slightest hint of embarrassment,

he seems a much cuddlier fat cat

But the bulging beg of swag

accountant at General Electric

Company means he may get a rough ride from some

shareholders at next Friday's

and shares awaiting the

mild-mannered Scottish

most colleagues in the

weot last year both to Sir

Christopber Lewinton at TI

But if the fur really is going to

fly over the latest case of alleged

corporate misgovernance, both

which identifies hundreds of UK

company directors earning far

more than Simpson for running

GEC and Simpson could do

worse than cite yesterday's

Labour Research document

annual meeting.

Tomking

be starry-eved about Mr Lebed's reasons for favouring an end to the war. His objections are ool so much moral or legal as practical: the war is a disastrous distraction from the task of refushioning Russia's army into a smaller but more effective light If western leaders were really

This has encouraged the feeling

that if anyone can bring peace

focus so heavily on one person

has its disadvantages. Because

of his high profile. Mr Lebed has

to contend with the jealousy of

fellow doves, as well as outright

opposition from hawks. There is

Mr Anatoly Chubais, the presi

dential chief of staff, and Mu

Victor Chernomyrdin, the prime

minister, would not welcome a

peace deal that boosted Mi

Nor, indeed, should the west

Practical objections

Lebed's presture.

suspicion that moderates like

The fact that peace hopes

to Chechnya, it is Mr Lebe

as cymeal as Russian national ists believe, they might be tempted to fold their arms and let the Chechen war rage on, confident that it would drain Moscow's ability to make trouble in other regions.

But the reverse also applies.

By pressing for an early end to the war, and underlining their support for Mr Lebed's peace efforts, western governments can make it plain that they do not regard a revived, selfconfident Russia - free of the Chechen millstone - as threat-ening or undesirable. This point should be made as forcefully as possible by Mr Helmut Kobi. German ebancellor, who has fired better than Mr Lebed in gaining access to the elusive Russian president and will meet

bim next week. At times, western leaders have hesitated to comment on Russia's internal affairs for fear of embarrassing their supposed friends. But they should not hold back from telling Mr Yeltsin of their support for Mi Lebed's peace efforts. After all, Mr Lebed is in no danger of chens who nominally wield being branded a western stooge.

always show some claws. He could start by reminding Prudential Corporation, GEC's biggest sharebolder, about problems earlier this year over ■ George Simpson will not take easily to finding himself at the centre of the latest UK ding-dong its own executive bonus scheme

No collect call For tens of thousands of obliging Italian and Spanish women, walting for the urine

munificent by some institutions.

collector to call could soon be a thing of the past.
Their donations – the som litres required this year would fill two, Olympic-sized swimming pools to overflowing

have for years been picked up An annual package worth up by drivers on behalf of Ares Serono, a Swiss company which to £1.5m puts Simpson ahead of purifies the urine for use in Metrodin HP, a bormone used in engineering sector, though not that far, given the £1.3m that fertility treatment. Having collected from 170,000 post-menopausal volunteers -Group and Greg Hutchings at nums are once said to have ranked among obliging donors -

> processing plants for purification. But the vintage years will soon be over, despite yesterday's approval by the US Food and Drug Administration for the drug to be sold in the world's most important market. Metrodin HP still needs urine

special containers are rushed to

far smaller busine If investors still insist on as a raw material, but it is the playing fat cats, Simpson can last of its kind to do so. Now

obliging women are to be superseded by genetically altered cells which can mass-produce the required bormone in factories. At that point, demand for their contributions simply dries up.

Understated

Half a century after the US told the 167 inhabitants of Bikini Atoll that it was moving them temporarily from their island for "the good of mankind and to end all world wars", a decision has been made to deal with the product of the 23 atomic and hydrogen bomb tests that

followed their departure. A ceremonial earth-turning has been pencilled in for November to herald the arrival of the buildozers which will remove up to 38cm of the polluted soil.

Since their "temporary" vacuation, the Bikinians and their descendants have hardly been back. Packed off initially to a

neighbouring atoll 201km away with little water and food, they were shipped in 1968 to an even more inhospitable destination and vitalled courtesy of the US. In June 1968, President Johnson declared it was safe for them to return home. Seven years later, someone had second thoughts, and off they went again.

Islanders those the buildozerroute in preference to the suggestion of a chemical treatment to eliminate the dangerous radioactive cesium 137. "After all that has happened to them, the Bikinians do not trust experiments like that," said Jack Niedenthal, the Bikini island lisison officer.

Small change

Italian lira notes - with their many zeros - can easily be mistaken for Monopoly money, but this is getting ridiculous.

A colleague this week used the

automatic teller machine in the lobby of Banca Commerciale Italiana's head branch in Rome Out popped a single L100,000 note, worth roughly £40. Few bars are willing to change such large denomination notes, so tha customer tried to change it for smaller notes at the bank's counter. Only to be told the note was counterfeit - another statistic for the Bank of Italy. which discovered more than 72,000 phoney banknotes last

Privatised just over two years ago, Banca Commerciale Italiana has been a disappointment for shareholders. But surely it's not in such trouble that it needs to print its own cash - as Banco di Napoli, now being salvaged after losing L3,200bn last year and L1,100bn in 1994, did mitil 1926.

Financial Times

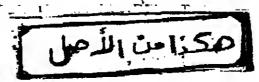
100 years ago

Franco-Japanese treaty The new treaty between France and Japan provides for the abolition of the extra-territorial jurisdiction in Japan and for the establishment of the most-favoured nation treatment between the two countries. France thus adopts the course adopted originally by England and subsequently by Germany, the United States, and other countries.

50 years ago Palestine Finance

The increase of money in circulation owing to military expenditure and Jewish capital import, plus the immigration after 1983 of security dealers, has led to the development in Palestine of an important securities : market. The main centre for this is Tel-Aviv, where dealers meet daily at the office of the Anglo Palestine Bank in order to establish official prices for a number of securities. The total value for these securities amounts to about 214 millions of which 55 millions represents Palestine Government bearer bonds, £3. millions other bonds and 15.5.
millions in Preferred and Ordinary shares.

Besides this official market there is an outside market in Government bearer bonds in which there is considerable speculation owing to the lottery attached to them.



'Historic' moment for South African economy

Black shareholders in biggest ever asset deal

By Roger Matthews in Johannesburg

The higgest ever transfer of assets to black shareholders in South Africa was signed in Johanneshurg yesterday.

Anglo American, the country's largest conglomerate, has agreed to sell most of its nearly 48 per cent stake in Johnnic, a diversified industrial and media group, to the National Empowerment Consortium (NEC).

NEC represents black bustness interests and trade unions. The arrangement is expected to give the consortlum control of Johnnic. Mr Cyril Ramaphosa, who headed the negotiations for the NEC. said it was a historic moment for the black community.

"Those who have previously been disadvantaged are now brought to centre stage of our country's economy," he said. Mr Ramaphosa, a former secre-tary general of the ruling Africassets include substantial

can National Congress, left minority stakes in leading parliament in May to become executive deputy chairman of New Africa Investments. South Africa's biggest black company, which recently joined NEC.

The consortium has bought an initial 20 per cent of Johnnic at a cost of just over R1.5bn (\$365m). The R50 a share paid represents a nearly per cent discount on Johnnic's average price over the

The partners in NEC had initially sought a 20 per cent discount on the sale. NEC also has an 18-month option to pur-chase additional Johnnic count, to raise its holding to 35

A further 6 per cent of Johnnic's shares will be offered through NEC on a retail basis to smaller members of the consortium and others within the black community, Johnnic's

companies, such as South African Breweries, Toyota South Africa and Times Media. owner of the weekly Financial Mail and the business daily. Business Day. Anglo's total stake in Johnnic is valued at over R4bn.

Mr Ramaphosa sald he was confident members of the NEC would have no problems in raising the funds for the initial purchase, and it might even be rsubscribed.

Mr Nicky Oppenheimer, dep-uty chairman of Anglo American, said the deal augured well for seeing wealth creation more widely spread. Mr Ramaphosa said NEC

had given undertakings to Johnnic staff about continued employment by the group. NEC also confirmed it would maintain editorial independence for the newspapers and through Times Media.

Major faces further strife over EU beef export ban

By Caroline Southey in ussels, George Parker and Alison Maitland in London

Mr John Major, the UK prime minister, faced the prospect of renewed civil war inside the Tory party over Europe last night, after EU officials warned of inevitable delays in the lifting of the ban on British beef exports.

EU officials said the framework for lifting the ban agreed at the Flocence summit in June would have to be revised in the light of new evidence on the possible spread of BSE, or mad cow disease, from mother to calf and from cattle to

Conservative Eurosceptic MPs yesterday said they were prepared to shatter the British government's fragile truce over Europe, unless the EU if the ban was not lifted by the started to lift the ban by

revealed earlier this month stricter in their interpretation the 6.950 projected cases.

that BSE could be transmitted from cow to calf. In addition, evidence has emerged suggest ing the disease could be transmitted to sheep.

Mr Major promised in June that measures would he in place hy November to combat BSE and thus to secure a lifting of the EU ban. Tory Eurosceptics bave

interpreted the November target as a firm deadline for a lifting of the ban, after which they warn they will resume their bostilities towards Brus-

Mr Bill Cash, MP for Stafford, said he and his colleagues would press for a resumption of Britain's noncooperation policy with the EU, and the possible boycott-ing of the Dublin heads of government summit in December target date.

One EU official predicted The British government member states would be

of the Florence agreement in the light of the new evidence. There are also concerns about Britain's ability to implement the terms of the agreement, particularly as a

comprehensive cull of British cattle underpins the deal. "A number of member states are concerned about the way the UK has acted on the plan so far. There has not been s great deal of progress," said :

Dutch official. The controversy over culling cattle is heightened today with esearch predicting the BSE epidemic in the UK will virtually disappear by 2001 without any cull.

In Nature magazine, scientists at Oxford University predict there will be 6,950 new cases of BSE between 1997 and 2001, compared with over 160,000 cases to date.

One slaughter option would involve killing up to 44,000 ani-

Sweden unsure on Emu

Continued from Page 1

Thai bank

sales and a price war in the first half of this year. Shanghai-Ek Chor expects to double production to 1m units by 1997. The company aims to produce between 1.5m and 2m units by

CP Group will also lead a group of Thai investors in building a \$300m shopping centre in Pudong specialising in food products.

Europe today

Most of the British Isles will have sunny periods, except for south-east England where it will be

windy and wet. Westerly gales will accompany heavy rain in the

Continued from Page 1

denied they had shifted from their fundamental support for Swedish membership of Emu. They said they wanted to stimulate a full public debate on the issue before a vote on Sweden's posttlon in parliament in October peyt year.

"Persson and Asbrink are keen to avoid a 'No. Never' decision," a senior government adviser said. "They want camp could easily lose.

to keep open the door to per-suading people." Further couplications arise from the fact

that the SDP relies on the small anti-Emu Centre party for its governing majority, and that joining Emn could

Emn opponents could then force a referendum by mustering a one-third block in parilament - a vote the pro-Emu

Kohl urges Yeltsin to end war in Chechnya

in Moscow and Michael Lindemann in Bonn

Mr Helmnt Kohl, German chancellor, yesterday urged Mr Boris Yeltsin to end the "terrible suffering" in Chechnya in a telephone conversa-tion with the secluded Russian president, and announced he would visit Russia next week. But the nudge from Russia's best friend and most generous bankroller in the west was not enough to secure an unambignous presidential endorsement of the peacemaking efforts of Mr Alexander Lebed, head of

Mr Yeltsin's spokesman said the planned summit was evidence that the president, who has retreated to an elite goverament dacha some 100km from Moscow, "is in rather good physical condition".

Mr Kohl's third visit to Russia this year should give him a chance to evaluate that asser-tion personally and to judge the releutless rumours about Mr Ysitsin's health which have plagued Russian politics since the president's shrupt disappearance from public life

sis's most faithful western ally, it has also been one of the most outspoken critics of ths 20-mouth war in Chechnye. During yesterday's telephone conversation Mr Kohi urged the Russian president to "put an end to [the Chechen]

ing the peace process". That lukewarm support wa enough for Mr Lebed to make plans to return to Chechnya later this week for further talks on a political deal with

Editorial Comment, Page 9

By Chrystia Presiand

Russia's security council.

Mr Kohl, who anstintingly supported Mr Yeltsin's soc-cessful re-election bid this year, will have an opportunity to press his case on September 7, in talks expected to focus on the Chechen conflict.

Although Germany is Rus-

conflict as soon as possible".

To huild a lasting peace upon the foundations of the ceasefire Mr Lebed negotiated last week, many Russian politicians say the former general needs the open backing of Mr Yeltsin, who this month made the security chief his envoy to Chechnya. Bnt instead, Mr Yeltsin's press spokesman said only that the president had yesterday given Mr Lebed and other relevant Russian anthorities "a number of

the separatist fighters who control most of the republic. Yet while Mr Lebed appears

to have won the trust of the Chechen separatists, Russlan and foreign leaders publicly worried yesterday that the security chief's peace mission could be sabotaged by rivals in the Kremin who fear that a successful deal could make Mr Lebed Russia's next president.

THE LEX COLUMN Tankan troubles

The Japaness economy is staggering around like a Tokyo FT-SE Eurotrack 200: 1735.6 (+8.7) salaryman after drinking too much sake. Yesterday's gloomy tankansurvey of economic prospects suggests the spectacular growth recorded in the first quarter of this year has ground to a halt. The hig-

gest worry is that confidence among large manufacturers is declining again. Companies' capital spending plans are still increasing, but more and more of that investment is going abroad. Hitachi announced last week that it would shift production of video recorders and camcorders to Malaysia. Even if the government agrees another supplementary budget, GDP growth will struggle to exceed 3 per cent in 1996. Next year, as the fiscal stimulus declines and a higher consump-tion tax bites, it could slow to 1.5 per cent.

The silver lining to such an anaemic recovery is that a rise in interest rates now looks highly unlikely this year. That is good news for the bond market, though its longer-term prospects remain overshadowed by the government's need to finance a growing deficit. For equi-ties, however, stable rates will bring little comfort if growth stagnates again. With foreign investors on s buying strike, the stock market looks stalled.

South Africa

It is dangerous to be ruled by people who have no stake in the economy. That was the rationale for Anglo American giving the Afrikaners a stake in South Africa's mining business in the 1960s. The same rationale underpins the longawaited sale of part of its industrial holding company Johnnic to black investors. Whites still command the economic heights, but without blacks gaining a substantial foothold, the future for business will look increasingly unsustainable.
The RL5bn (\$365m) deal is sym-

bolically important. It is not the first such "empowerment" deal, but it is the biggest Moreover, it is the first to involve Angle American, the country's premier industrial group. The immediate practical effect on how Johnnic's blue-chip interests are managed is likely to be limited, as the trade union-backed consortium has won influence rather than operational control. The consortium may yet seek to gain control of some of Johnnic's assets. But even if the empowerment process eventually leads to a somewhat less com-

mercially-driven approach, that will be much better for investors than the nationalisation and/or heavy

regulation that could result if

blacks were kept out of economic

Swiss pharmaceuticals

Switzerland's big drug companies have not distinguished themselves in the first half of 1996. Reported sales growth, cost savings and mar-gins at Ciba, Sandoz and Roche all came in at the low end of expectations - and below the best levels achieved by their international peers. For Ciba and Sandoz that does not matter. US regulatory approval for their merger to form Novartis should come soon. And the two companies hinted yesterday that the promised SFr1.8bn of cost savings would accrue more swiftly than expected when their pairing was announced in March. In return, the accompanying restructuring charge will exceed the original SFr2bn estimate. But, as far as investors are concerned, the deeper and quicker the cuts, the better. The combination of substantial cost savings and an improving drugs pipeline should allow Novartis to increase earnings by 15 per cent s year until the end of the century.

The prospect of such juicy growth has led the new company to dislodge Roche from its pedestal as the market's darling, and rightly so. Roche's compound growth is likely to be closer to 10 per cent, as heavy investment to build up its general sales force will hold back margins this year and next. And fully 30 per cent of interim profits came from financial items, which are unpredictable and opaque. Roche's dislike

of hostile bids is well known. But pressure for a corporate move of me sort is mounting.

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Hanson

The demerger of Imperial Tobacco and Millennium Chemicals reveals little evidence of hidden value in their parent, Hanson, Mil-lennium talks of bid approaches and ahare bny backs. The reality will be less exciting. Takeovers are will be less excling. Takeovers are unlikely, given a poison pill defence and the burden of the chairman's contractual pay-off, and share buybacks are a distant prospect, given its £1.3bn of debt. A valuation of 30p per Hanson share looks fair.

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Imperial looks more attractive. It is extraordinarily efficient and offers prodigious cash flow and steady growth. Nonetheless, UK margins are declining and the abolition of intra-European duty free sales in 1999 could burt profits. Poor sentiment towards tobacco stocks will also taint valuations, even though Imperial is unaffected by US litigation. A range of 38p to 42p per Hanson share looks reasonable, depending on bid expectations. But Philip Morris and Gallaher would probably be prevented from buying imperial on monopoly grounds, whils BAT industries would prefer to have Gallaher.

Hambros

Hambros has long looked ripe for break-up bid. On most calculations, the venerable merchant bank ing group's shares trade at a big discount to the sum of its parts. Its botchpotch of different businesses estate agency, insurance loss-adjusting and various niche operations in addition to mainstream merchant banking - do not obviously hang together. Nor has the portfolio delivered good returns: bence, the 40 per cent underperformance of its shares since the start of 1994. So it is perhaps fitting that it has attracted the attentions of Hong Kong-based Regent Pacific, a fund manager with a track record of picking on poorly-performing investment trusts. Regent itself does not have the firepower to launch a bid. But it will probably be hoping either to force Hambros to break itself up or put it into play. The group will have to come up with some good arguments to avoid

Additional Lex comment on WH Smith. Page 14

Leading the way in Croatian banking

Zagrebačka banka is Croatia's largest private bank with total asssets of \$3.2 billion and 66% of its shares in the hands of individuals and private corporate investors. It is the clear leader in international banking in Croatia and has initiated several pioneering transactions that have helped open up the country's financial markets.

- ◆ First Croatian commercial bank to receive a loan from the European Bank for Reconstruction and Development. The credit totalled DEM 56 million and was the EBRD's first private sector transaction in Croatia.
- ◆ First Croatian borrower to tap the syndicated loan market without a guarantee from the Republic of Croatia. The CHF 130 million term loan was heavily oversubscribed.
- ◆ Engaged as a joint global co-ordinator in the first IPO of a Croatian company. The shares and GDRs were listed on the London Stock Exchange and the offering was heavily oversubscribed.
- ◆ The first and leading provider of custody services in Croatia; the bank's shareholders' funds amount to \$311 million.

◆ Best bank and the undisputed market leader in Croatia (Central European awards, April 1996).

Zagrebačka banka 🗷

For further information, please contact: Zagrebačka banka, International Division, Savska 60, 10000 Zagreb, Croatia, Telephone: (385 1) 518 895, Fax: (385 1) 515 092

Benefux, Rain is also expected in southern Sweden and Norway. Denmark and north-easte Germany will have sunny spells. Thunder showers will follow a front moving eastwards through eastern Europe and the western Balkans. Patchy sun is expected in France with showers in the south. Thurder storms will affect easter Spein. Southern Spain, Portugal and central Italy will be sunny. Five-day forecast Showers are expected to continue in the British Isles. Winds will weaken in the Benefux, but 30 showers will persist. Thursde storms will affect eastern Europe. the Balkans, southern Italy and stern Spain, Faro Frankfurt Geneva Geneva Gibnegow Hamburg Hengland Hong Kong Hong Kong Hongland Islanbul Jakarta Jarsey Karachi Kuwait L. Angeles Las Palmas Lima Lisbon Landon Landon Rangoon Revicente Revicente Reme S. Freca Secul Singispare Stockholm Stresbourg Sydney Tangler Tel Aviv Tokyo Toronto Vancouver Venice Vienna Wassington Wassington Warnipeg Zurich Certaria Certafi Cassablar Chicago Cologne Deltar Delhi Dubai Dubai Dubrown Sciloburi ADU UT Accra Algiera Amateri Athena Atlanta B. Aires B.hem Bangkol sun 26 sun 21 shower 24 shower 22 fair 19 fair 18 sun 25 fair 32 rain 27 No other airline flies to more cities in Lufthansa